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ABSTRACT

This volume of hearings relates to (1) a bill to establish a national commission on neighborhoods; (2) a bill to establish a commission to investigate the factors contributing to the decline of urban neighborhoods and the factors necessary to neighborhood survival and revitalization, and for other purposes; and (3) a bill to establish the national commission (as amended and submitted). Following the text of the three bills as introduced and reported, the testimony of various public officials, members of Congress, and citizens is recorded . Additional material in the form of statements, prepared statements, and articles from books, journals, and newspapers is appended. A final section carries a "House Report" on the final form and text of the bill--National Neighborhood Policy Act as enacted. (RJ)

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NATIONAL NEIGHBORHOOD POLICY ACT

U.S. DEPARTMENT OF HEALTH,
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HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON
BANKING, CURRENCY AND HOUSING
HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

H.R. 14756

A BILL TO ESTABLISH A NATIONAL COMMISSION ON NEIGHBORHOODS

H.R. 14361

A BILL TO ESTABLISH A COMMISSION TO INVESTIGATE THE FACTORS CONTRIBUTING TO THE DECLINE OF URBAN NEIGHBORHOODS AND THE FACTORS NECESSARY TO NEIGHBORHOOD SURVIVAL AND REVITALIZATION, AND FOR OTHER PURPOSES

H.R. 15388

A BILL TO ESTABLISH A NATIONAL COMMISSION ON NEIGHBORHOODS

SEPTEMBER 9, 1976

Printed for the use of the
Committee on Banking, Currency and Housing

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NATIONAL NEIGHBORHOOD POLICY ACT

THURSDAY, SEPTEMBER 9, 1976

House of Representatives,
Subcommittee on Housing and Community Development
of the Committee on Banking, Currency and Housing,
Washington, D.C.

The subcommittee met at 9:40 a.m., in room 2128, of the Rayburn House Office Building, Hon. Thomas L. Ashley (chairman of the subcommittee) presiding.

Present: Representatives Ashley, Gonzalez, Hanley, Fauntroy, Boggs, LaFalce, Tsongas, Brown, Stanton, and McKinney.

Mr. Ashley. The subcommittee will come to order. The Subcommittee on Housing and Community Development today begins a hearing on my bill, H.R. 14756, a bill to establish a National Commission on Neighborhoods, and companion bills such as H.R. 14361, introduced by my colleague from Michigan, the ranking minority member, Garry Brown, who will be here shortly, and H.R. 15388 introduced by my Democratic colleague on the subcommittee, the distinguished gentleman from New York, John J. LaFalce, and by our colleague from California, Yvonne Burke, who also will present testimony in a few minutes.

[The texts of H.R. 14756, H.R. 14361 and H.R. 15388 follow:]

6

94TH CONGRESS
2D SESSION

H. R. 14756

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1976

Mr. ASHLEY introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

A BILL

To establish a National Commission on Neighborhoods.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "National Neighborhood Policy Act".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that existing city neighborhoods are a national resource to be conserved and revitalized wherever possible, and that public policy should promote that objective.

(b) The Congress further finds that the tendency of public policy incentives to ignore the need to preserve the built environment can no longer be defended, either economically or socially, and must be replaced with explicit policy incentives encouraging conservation of existing neighborhoods. That objective will require a comprehensive review of existing laws, policies, and programs which affect neighborhoods, to assess their impact on neighborhoods, and to recommend modifications where necessary.

ESTABLISHMENT OF COMMISSION

SEC. 3. (a) There is hereby established a commission to be known as the National Commission on Neighborhoods (hereinafter referred to as the "Commission").

(b) The Commission shall be composed of twenty members, to be appointed as follows:

(1) two Members of the Senate appointed by the President of the Senate;

(2) two Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) sixteen public members appointed by the President of the United States from among persons specially qualified by experience and training to perform the duties of the Commission, at least five of whom shall be elected officers of recognized neighborhood organizations engaged in development and revitalization programs, and at least

five of whom shall be elected or appointed officials of local governments involved in preservation programs. The remaining members shall be drawn from outstanding individuals with demonstrated experience in neighborhood revitalization activities, from such fields as finance, business, philanthropic, civic, and educational organizations.

The individuals appointed by the President of the United States shall be selected so as to provide representation to a broad cross section of racial, ethnic, and geographic groups. The two members appointed pursuant to clause (1) may not be members of the same political party, nor may the two members appointed pursuant to clause (2) be members of the same political party. Not more than eight of the members appointed pursuant to clause (3) may be members of the same political party.

(c) The Chairman shall be appointed by the President, by and with the advice and consent of the Senate, from among the public members.

(d) The executive director shall be appointed by the President, by and with the advice and consent of the Senate, from among individuals recommended by the Commission.

DUTIES

SEC. 4. (a) The Commission shall undertake a comprehensive study and investigation of the factors contributing to the decline of city neighborhoods and of the factors necessary to neighborhood survival and revitalization. Such study and investigation shall include, but not be limited to—

(1) an analysis of the impact of existing Federal, State, and local policies, programs, and laws on neighborhood survival and revitalization;

(2) an identification of the administrative, legal, and fiscal obstacles to the well-being of neighborhoods;

(3) an analysis of the patterns and trends of public and private investment in urban areas and the impact of such patterns and trends on the decline or revitalization of neighborhoods;

(4) an assessment of the existing mechanism of neighborhood governance and of the influence exercised by neighborhoods on local government;

(5) an analysis of the impact of poverty and racial conflict on neighborhoods;

(6) an assessment of local and regional development plans and their impact on neighborhoods; and

(7) an evaluation of existing citizen-initiated neighborhood revitalization efforts and a determination of how public policy can best support such efforts.

(b) The Commission shall make recommendations for modifications in Federal, State, and local laws, policies, and programs necessary to facilitate neighborhood preservation and revitalization. Such recommendations shall include, but not be limited to—

(1) new mechanisms to promote reinvestment in existing city neighborhoods;

(2) more effective means of community participation in local governance;

(3) policies to encourage the survival of economically and socially diverse neighborhoods;

(4) policies to prevent such destructive practices as blockbusting, redlining, resegregation, speculation in reviving neighborhoods, and to promote homeownership in urban communities;

(5) policies to encourage better maintenance and management of existing rental housing;

(6) policies to make maintenance and rehabilitation of existing structures at least as attractive from a tax viewpoint as demolition and development of new structures;

(7) modification in local zoning and tax policies to facilitate preservation and revitalization of existing neighborhoods; and

(8) reorientation of existing housing and community development programs and other tax and subsidy policies that affect neighborhoods, to better support neighborhood preservation efforts.

(c) Within two years after the date on which funds first become available to carry out this Act, the Commission shall submit to the Congress and the President a comprehensive report on its study and investigation under this subsection which shall include its findings, conclusions, and recommendations and such proposals for legislation and administrative action as may be necessary to carry out its recommendations.

COMPENSATION OF MEMBERS

SEC. 5. (a) Members of the Commission who are Members of Congress or full-time officers or employees of the United States shall serve without additional compensation, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of the duties vested in the Commission.

(b) Members of the Commission, other than those referred to in subsection (a), shall receive compensation at the rate of $100 per day for each day they are engaged in the actual performance of the duties vested in the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

ADMINISTRATIVE PROVISIONS

SEC. 6. (a) The Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates, but at rates not in excess of a maximum rate for GS–18 of the General Schedule under section 5332 of such title.

(b) The Commission may procure, in accordance with the provisions of section 3109 of title 5, United States Code, the temporary or intermittent services of experts or consultants. Persons so employed shall receive compensation at a rate to be fixed by the Commission but not in excess of $100 per day, including traveltime. While away from his or her home or regular place of business in the performance of services for the Commission, any such person may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 (b) of title 5, United States Code, for persons in the Government service employed intermittently.

(c) Each department, agency, and instrumentality of the United States is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice Chairman, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this

Act. The Chairman is further authorized to call upon the departments, agencies, and other offices of the several States to furnish, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this title.

(d) The Commission may award contracts and grants for the purposes of evaluating existing neighborhood revitalization programs and the impact of existing laws on neighborhoods. Awards under this section may be made to—

(1) representatives of legally chartered neighborhood organizations;

(2) public interest organizations which have a demonstrated capability in the area of concern;

(3) universities and other not-for-profit educational organizations.

(e) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this Act; hold hearings, take testimony, and administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or member thereof. Hearings by the Commission will be held in neighborhoods with testimony received from citizen leaders and public officials who are engaged in neighborhood revitalization programs.

AUTHORIZATION OF APPROPRIATIONS

SEC. 7. There are authorized to be appropriated not to exceed $2,000,000 to carry out this title.

EXPIRATION OF THE COMMISSION

SEC. 8. The Commission shall cease to exist thirty days after the submission of its report under section 4.

94TH CONGRESS
2D SESSION

H. R. 14361

IN THE HOUSE OF REPRESENTATIVES

JUNE 14, 1976

Mr. LAFALCE introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

---

A BILL

To establish a commission to investigate the factors contributing to the decline of urban neighborhoods and the factors necessary to neighborhood survival and revitalization, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That:

SHORT TITLE

SECTION 1. This Act may be cited as the "National Neighborhood Policy Act".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that existing city neighborhoods are a national resource to be conserved and revitalized wherever possible, and that public policy should promote that objective.

(b) The Congress further finds that the tendency of public policy incentives to ignore the need to preserve the built environment can no longer be defended, either economically or socially, and must be replaced with explicit policy incentives encouraging conservation of existing neighborhoods. That objective will require a comprehensive review of existing laws, policies, and programs which affect neighborhoods, to assess their impact on neighborhoods, and to recommend modifications where necessary.

ESTABLISHMENT OF COMMISSION

SEC. 3 (a) There is hereby established a commission to be known as the National Commission on Neighborhoods (hereinafter referred to as the "Commission").

(b) The Commission shall be composed of twenty members, to be appointed as follows:

(1) two Members of the Senate appointed by the President of the Senate;

(2) two Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) sixteen public members appointed by the President of the United States from among persons specially qualified by experience and training to perform the

duties of the Commission, at least five of whom shall be elected officers of recognized neighborhood organizations engaged in development and revitalization programs, and at least five of whom shall be elected or appointed officials of local governments involved in preservation programs. The remaining members shall be drawn from outstanding individuals with demonstrated experience in neighborhood revitalization activities, from such fields as finance, business, philanthropic, civic, and educational organizations. The individuals appointed by the President of the United States shall be selected so as to provide representation to a broad cross section of racial, ethnic, and geographic groups. The two members appointed pursuant to clause (1) may not be members of the same political party, nor may the two members appointed pursuant to clause (2) be members of the same political party. Not more than eight of the members appointed pursuant to clause (3) may be members of the same political party.

(c) The Chairman shall be appointed by the President, by and with the advice and consent of the Senate, from among the public members.

(d) The executive director shall be appointed by the President, by and with the advice and consent of the Senate, from among individuals recommended by the Commission.

DUTIES

SEC. 4. (a) The Commission shall undertake a comprehensive study and investigation of the factors contributing to the decline of city neighborhoods and of the factors necessary to neighborhood survival and revitalization. Such study and investigation shall include, but not be limited to—

(1) an analysis of the impact of existing Federal, State, and local policies, programs, and laws on neighborhood survival and revitalization;

(2) an identification of the administrative, legal, and fiscal obstacles to the well-being of neighborhoods;

(3) an analysis of the patterns and trends of public and private investment in urban areas and the impact of such patterns and trends on the decline or revitalization of neighborhoods;

(4) an assessment of the existing mechanisms of neighborhood governance and of the influence exercised by neighborhoods on local government;

(5) an analysis of the impact of poverty and racial conflict on neighborhoods;

(6) an assessment of local and regional development plans and their impact on neighborhoods; and

(7) an evaluation of existing citizen-initiated neighborhood revitalization efforts and a determination of how public policy can best support such efforts.

(b) The Commission shall make recommendations for modifications in Federal, State, and local laws, policies, and programs necessary to facilitate neighborhood preservation and revitalization. Such recommendations shall include, but not be limited to —

(1) new mechanisms to promote reinvestment in existing city neighborhoods;

(2) more effective means of community participation in local governance;

(3) policies to encourage the survival of economically and socially diverse neighborhoods;

(4) policies to present such destructive practices as blockbusting, redlining, resegregation, speculation in reviving neighborhoods, and to promote homeownership in urban communities;

(5) policies to encourage better maintenance and management of existing rental housing;

(6) policies to make maintenance and rehabilitation of existing structures at least as attractive from a tax viewpoint as demolition and development of new structures;

(7) modifications in local zoning and tax policies to facilitate preservation and revitalization of existing neighborhoods; and

(8) reorientation of existing housing and community development programs and other tax and subsidy policies that affect neighborhoods, to better support neighborhood preservation efforts.

(c) Within two years after the date to which funds first become available to carry out this Act, the Commission shall submit to the Congress and the President a comprehensive report on its study and investigation under this subsection which shall include its findings, conclusions, and recommendations and such proposals for legislation and administrative action as may be necessary to carry out its recommendations.

COMPENSATION OF MEMBERS

SEC. 5. (a) Members of the Commission who are Members of Congress or full-time officers or employees of the United States shall serve without additional compensation, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of the duties invested in the Commission.

(b) Members of the Commission, other than those referred to in subsection (a) shall receive compensation at the rate of $100 per day for each day they are engaged in the actual performance of the duties vested in the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

ADMINISTRATIVE PROVISIONS

SEC. 6. (a) The Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates, but at rates not in excess of a maximum rate for GS–18 of the Federal Schedule under section 5332 of such title.

(b) The Commission may procure, in accordance with the provisions of section 3109 of title 5, United States Code, the temporary or intermittent services of experts or consultants. Persons so employed shall receive compensation at a rate to be fixed by the Commission but not in excess of $100 per day, including traveltime. While away from his or her home or regular place of business in the performance of services for the Commission, any such person may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 (b) of title 5, United States Code, for persons in the Government service employed intermittently.

(c) Each department, agency, and instrumentality of the United States is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice

Chairman, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under the Act. The Chairman is further authorized to call upon the departments, agencies, and other offices of the several States to furnish, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this title.

(d) The Commission may award contracts and grants for the purpose of evaluating existing neighborhood revitalization programs and the impact of existing laws on neighborhoods. Awards under this section may be made to—

(1) representatives of legally chartered neighborhood organizations;

(2) public interest organizations which have a demonstrated capability in the area of concern;

(3) universities and other not-for-profit educational organizations.

(e) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this Act, hold hearings, take testimony, and administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or member thereof. Hearings by the Commission will be held in neighborhoods with testimony received from citizen leaders and public officials who are engaged in neighborhood revitalization programs.

AUTHORIZATION OF APPROPRIATIONS

SEC. 7. There are authorized to be appropriated not to exceed $2,000,000 to carry out this title.

EXPIRATION OF THE COMMISSION

SEC. 8. The Commission shall cease to exist thirty days after the submission of its report under section 4.

94TH CONGRESS
2D SESSION

H. R. 15388

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 1, 1976

Mr. BROWN of Michigan introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

---

A BILL

To establish a National Commission on Neighborhoods.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "National Neighborhood Policy Act".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that existing city neighborhoods are a national resource to be conserved and revitalized wherever possible, and that public policy should promote that objective.

(b) The Congress further finds that the tendency of public policy incentives to ignore the need to preserve the built environment can no longer be defended, either economically or socially, and must be replaced with explicit policy incentives encouraging conservation of existing neighborhoods. That objective will require a comprehensive review of existing laws, policies, and programs which affect neighborhoods, to assess their impact on neighborhoods, and to recommend modifications where necessary.

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(1) two Members of the Senate appointed by the President of the Senate;

(2) two Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) sixteen public members appointed by the President of the United States from among persons specially qualified by experience and training to perform the duties of the Commission, at least five of whom shall be elected officers of recognized neighborhood organizations engaged in development and revitalization programs, and at least

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The individuals appointed by the President of the United States shall be selected so as to provide representation to a broad cross section of racial, ethnic, and geographic groups. The two members appointed pursuant to clause (1) may not be members of the same political party, nor may the two members appointed pursuant to clause (2) be members of the same political party. Not more than eight of the members appointed pursuant to clause (3) may be members of the same political party.

(c) The Chairman shall be appointed by the President from among the public members.

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(1) an analysis of the impact of existing Federal, State, and local policies, programs, and laws on neighborhood survival and revitalization;

(2) an identification of the administrative, legal, and fiscal obstacles to the well-being of neighborhoods;

(3) an analysis of the patterns and trends of public and private investment in urban areas and the impact of such patterns and trends on the decline or revitalization of neighborhoods;

(4) an assessment of the existing mechanism of neighborhood governance and of the influence exercised by neighborhoods on local government;

(5) an analysis of the impact of poverty and racial conflict on neighborhoods;

(6) an assesment of local and regional development plans and their impact on neighborhoods; and

(7) an evaluation of existing citizen-initiated neighborhood revitalization efforts and a determination of how public policy can best support such efforts.

(b) The Commission shall make recommendations for modifications in Federal, State, and local laws, policies, and programs necessary to facilitate neighborhood preservation and revitalization. Such recommendations shall include, but not be limited to—

(1) new mechanisms to promote reinvestment in existing city neighborhoods;

(2) more effective means of community participation in local governance;

(3) policies to encourage the survival of economically and socially diverse neighborhoods;

(4) policies to prevent such destructive practices as blockbusting, redlining, resegregation, speculation in reviving neighborhoods, and to promote homeownership in urban communities;

(5) policies to encourage better maintenance and management of existing rental housing;

(6) policies to make maintenance and rehabilitation of existing structures at least as attractive from a tax viewpoint as demolition and development of new structures;

(7) modification in local zoning and tax policies to facilitate preservation and revitalization of existing neighborhoods; and

(8) reorientation of existing housing and community development programs and other tax and subsidy

policies that affect neighborhoods, to better support neighborhood preservation efforts.

(c) Within two years after the date on which funds first become available to carry out this Act, the Commission shall submit to the Congress and the President a comprehensive report on its study and investigation under this subsection which shall include its findings, conclusions, and recommendations and such proposals for legislation and administrative action as may be necessary to carry out its recommendations.

COMPENSATION OF MEMBERS

SEC. 5. (a) Members of the Commission who are Members of Congress or full-time officers or employees of the United States shall serve without additional compensation, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of the duties vested in the Commission.

(b) Members of the Commission, other than those referred to in subsection (a), shall receive compensation at the rate of $100 per day for each day they are engaged in the actual performance of the duties vested in the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

ADMINISTRATIVE PROVISIONS

SEC. 6. (a) The Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates, but at rates not in excess of a maximum rate for GS–18 of the General Schedule under section 5332 of such title.

(b) The Commission may procure, in accordance with the provisions of section 3109 of title 5, United States Code, the temporary or intermittent services of experts or consultants. Persons so employed shall receive compensation at a rate to be fixed by the Commission but not in excess of $100 per day, including traveltime. While away from his or her home or regular place of business in the performance of services for the Commission, any such person may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 (b) of title 5, United States Code, for persons in the Government service employed intermittently.

(c) Each department, agency, and instrumentality of the United States is authorized and directed to furnish to the

Commission, upon request made by the Chairman or Vice Chairman, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this Act. The Chairman is further authorized to call upon the departments, agencies, and other offices of the several States to furnish, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this title.

(d) The Commission may award contracts and grants for the purposes of evaluating existing neighborhood revitalization programs and the impact of existing laws on neighborhoods. Awards under this section may be made to—

(1) representatives of legally chartered neighborhood organizations;

(2) public interest organizations which have a demonstrated capability in the area of concern;

(3) universities and other not-for-profit educational organizations.

(e) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this Act; hold hearings, take testimony, and administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or member thereof. Hearings by the Commission will be held in neighborhoods with testimony received from citizen leaders and public officials who are engaged in neighborhood revitalization programs.

AUTHORIZATION OF APPROPRIATIONS

SEC. 7. There are authorized to be appropriated such sums as may be necessary to carry out this title.

EXPIRATION OF THE COMMISSION

SEC. 8. The Commission shall cease to exist thirty days after the submission of its report under section 4.

Mr. ASHLEY. The purpose of establishing a National Commission on Neighborhoods would be to investigate the factors contributing to the decline of urban neighborhoods and measures we must take to insure their survival and revitalization. It is virtually impossible to contemplate the problems of American cities without recognizing that the essential building block of the city is the residential neighborhood. While we recognize the essential character of neighborhoods, the truth is, we know very little about the dynamics of their growth or decline and the factors that contribute to their long-term stability.

Absent such knowledge, most of our efforts to deal with such urban problems are broken ones, sometimes shortsighted, and sometimes contradictory. In holding these hearings on my bill to establish a National Commission on Neighborhoods, I have no illusion that it will be able to provide answers to the very hard questions about neighborhood vitality. Rather, as I see it, it is one step and a very important one of increasing our understanding of this very difficult problem.

Our first witness this morning will be our colleague from California, Mrs. Burke. She was to be our first witness, I should say, but because Mrs. Hills does have a time problem, we are going to call on the Secretary first so that her schedule can be cleared to meet her convenience.

So, Madam Secretary, we are very pleased by your presence here this morning, and we hope your testimony will be as helpful as it always has been.

Let me just say, for the sake of other witnesses, that we do have a rather large number of those who will be offering testimony this morning, so it is my hope that the subcommittee can sit straight hrough until we hear from all witnesses. We urge all witnesses to please limit their oral statements to no more than 10 minutes and submit your prepared statements for the record. This will permit the members more time to direct questions to the witnesses.

Then, Mrs. Hills, if you would be kind enough to proceed.

STATEMENT OF HON. CARLA A. HILLS, SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Secretary HILLS. Thank you, Mr. Chairman, and members of the subcommittee.

I am pleased to support H.R. 14756 introduced by Chairman Ashley and H.R. 15388, a similar bill, introduced by Congressman Garry Brown. The purpose of these bills is to establish a National Commission on Neighborhoods. A bipartisan membership structure proposed for the Commission, the mandate of the Commission, and the proposed 2-year timetable all make sense. The Senate has passed an identical bill introduced by Senators Proxmire and Garn, and I hope the House will act promptly to send this legislation to the President.

The objectives of the National Commission on Neighborhoods coincide with the President's concern for improving our neighborhoods and with HUD's own emphasis on the preservation and revitalization of our cities. As you know, the President on June 30, 1976, created a Cabinet-level Committee on Urban Development and Neighborhood

Revitalization and asked me to chair it. The President gave the committee the following three-part assignment:

First: Conduct a comprehensive review of all major Federal programs which have an impact on the cities and their neighborhoods and report results to the President;

Second: Seek the perspectives of local officials and neighborhood groups on Federal programs which affect them;

And third: Develop recommendations to the President and the Congress for changes in Federal policies and programs affecting cities and their neighborhoods in order to place maximum decisionmaking responsibility at the local level, to remove legal and administrative obstacles to the exercise of this authority, and to provide for better coordination and delivery of Federal programs.

The work of the proposed National Commission on Neighborhoods will complement the work already underway by the President's Committee. The National Commission on Neighborhoods will look at the policies and programs of all levels of government, including the State and local level. The President's Committee will focus on general national policy issues and on ways to improve the coordination of Federal programs as they relate to cities and neighborhoods. When the National Commission on Neighborhoods is established and in operation, I would urge a close liaison between it and the President's Committee so that the Commission's interim recommendations could be implemented immediately whenever feasible. One problem of previous Presidential commissions has been that they too often operate in a vacuum, thus losing many opportunities for direct impact on policies and programs.

Chairing the President's Committee has reinforced my support for the National Commission on Neighborhoods. We have begun to assemble information on Federal programs which have an impact on cities and neighborhoods and have come to at least some initial conclusions about how the delivery of Federal aid might be made more efficient and responsive. But as this committee and my fellow witnesses this morning are well aware, this is an analytical task of immeasurable complexity, and we have a long way to go. We welcome the participation of the proposed Commission in searching for the best ways to maintain and revitalize our urban neighborhoods.

I am also pleased that the Commission's mandate goes beyond study and analysis, and also calls for direct contact with local officials and neighborhood residents. Several members of the President's Committee have already visited cities throughout the country, and in connection with the Committee's work, I personally have visited Boston, Baltimore, Newark, and Pittsburgh. Secretary Mathews is in Oklahoma City today representing the President's Committee.

These visits have included meetings with hundreds of local officials and neighborhood leaders, as well as leaders of citywide civic and business organizations. Our visits have taken us to city halls, neighborhoods and into private homes. We have been getting a firsthand look at many of the problems and frustrations which are bearing down on both public and private leadership.

But the picture is by no means uniformly bleak. We are seeing neighborhoods which are fighting advancing decay and making real headway toward stability and vitality. There are hopeful signals in our cities and neighborhoods, and our shared challenge is to nurture the opportunities for revitalization and clear away the obstacles.

Both the President's Committee and the national Commission will be able to draw on the experience being accumulated under current urban programs, as well as a number of demonstrations already under way or planned.

For example, I am advised by both locally elected officials and neighborhood leaders that our community development block grant program serves as an unusually flexible tool for attacking the problems of neighborhoods in varying stages of difficulty. Block grant funds are being used for assisting homeowners in older but still sound neighborhoods who need relatively small amounts of assistance for maintenance or essential repairs. This type of assistance was impossible under the categorical restrictions of older programs. Block grant funds, of course, are also being used for more extensive rehabilitation of properties which need major work. In addition, these funds are available for street repair, lighting, and other neighborhood improvements which support the rehabilitation effort.

In many cities the community development program is energizing neighborhood organizations which see a new opportunity to work with city officials for the improvement of their neighborhoods. The block grant approach is a possible model for other Federal programs which are channeled in various ways to cities and neighborhoods.

There are a number of research and demonstration programs which also show promise for discovering the keys to neighborhood revitalization. For example, HUD has been supporting for the last 2 years the work of the Urban Reinvestment Task Force, and we will be increasing that support from $2.5 million in fiscal year 1976 to $4.5 million in fiscal year 1977. This will permit the Urban Reinvestment Task Force to expand into an additional 24 cities, for a total of 55 cities. More recently, HUD has announced grants totaling $5 million to 22 cities for innovative projects in neighborhood preservation. In addition, last week we approved a grant to the National Center for Urban Ethnic Affairs to study and document successful neighborhood revitalization efforts in two cities, Baltimore and Providence. The Center will then seek to transfer those successful strategies to neighborhoods in two other cities, Newark and Chicago. Later this month, the Departments of Commerce, Labor, and HUD will make demonstration grants to 10 cities to assist them in successfully linking manpower, economic development, and community development funds in order to strengthen the economic base of cities and neighborhoods.

In conclusion, I would like to pledge my full support to the work of the National Commission on Neighborhoods. We want to cooperate with it in every way to achieve the shared objective of improving our cities and neighborhoods.

I will be pleased to respond to any questions.

Mr. Ashley. Thank you very much, Madam Secretary. It is always a pleasure to have you before the subcommittee, particularly when you come in foursquare behind the legislation that is offered.

Secretary Hills. I enjoy those occasions, also.

Mr. **Ashley**. I dare say—I won't say it is rare, but I think history would bear me out when I say that it is rare in an odd number of years, particularly that fourth year in the fall.

Madam Secretary, my bill calls for the authorization of appropriations of $2 million to carry out this title. You are very good at running demonstration programs on practically nothing, and I don't mean that in a derogatory sense at all, but I am wondering about this $2 million authorization level. It was perhaps by inadvertence I now realize that no additional authorization of funds for fiscal year 1977 may be made by this or other authorizing committees after May 15 of this year under the provisions of the Congressional Budget Act.

Tell me, how much do you think that a Commission of this kind, the staff, if provided by the legislation, with the travel expenses, would be necessary to do a good job? Can you give me any kind of figure as to what you think might be an annual cost of the Commission?

Secretary **Hills**. I have to confess, Mr. Chairman, I have not given any serious thought to what a commission of this size, running for approximately 2 years, or at least no longer than 2 years, would need to have a competent staff.

I would be happy, however, to have our people analyze and see what is the lowest amount which would adequately fund such a Commission, if that would be your desire.

Mr. **Ashley**. Assuming it would be in the neighborhood of—well, let's say a couple of hundred thousand dollars a year, and assuming further that we are in a bit of a budget impasse, do you suppose that these funds might be available internally if that were required in order for the Commission to be functional, or to become functional?

Secretary **Hills**. I would have to say, without any analysis, that $200,000 per year is probably clearly too low.

You mentioned at the outset that we run our demonstrations on practically nothing, and practically nothing is exactly what we have left. So I believe, on analysis of what would be an appropriate figure, we would find it extremely difficult to push further into our policy or research budget, which has already, as you know, been squeezed down to a very, very low level.

Mr. **Ashley**. It would be your thought that the President's Committee would continue to operate despite the enactment of this legislation establishing a statutory Commission?

Secretary **Hills**. Yes, I think it would be desirable for it to continue to operate. I think that the eight Cabinet officers who are serving with some seriousness on this committee provide a dimension which is not provided for in the Commission, and that working together, they can both best carry out their mutual objectives.

Mr. **Ashley**. Working together but separately, I take it. Obviously, the Commission provided in this legislation is somewhat more broadly based than the President's Committee. And it is your thought that they should work side-by-side but separately, in cooperation?

Secretary **Hills**. I cannot tell you that were I to have started from the beginning that it would not have been possible to comprise a group that would have included all three levels of government and neighborhood associations. But I think the way it is proposed now, working in harmony is a very effective way to reach a mutual objective.

So, yes, they can work together and work in harmony. I think there ought to be an extremely close liaison between the two groups.

Mr. ASHLEY. Your testimony indicates your support and that of your Department. I take it that it reflects the support of the administration; is that correct, Madam Secretary?

Secretary HILLS. I believe that I speak for the administration, Mr. Chairman.

Mr. ASHLEY. Well, I don't want to push you. If you say it does, it does. I was wondering whether your testimony has been reviewed by the Office of Management and Budget or the Domestic Council or what have you.

Secretary HILLS. We have used the usual channels for review of this testimony, as with all others.

Mr. ASHLEY. Thank you, Madam Secretary.

Mr. Brown?

Mr. BROWN. Thank you, Mr. Chairman, and good morning, Mrs. Hills.

Secretary HILLS. Good morning, Mr. Brown.

Mr. BROWN. It's nice to have you with the subcommittee again.

My bill varies a little bit from Mr. Ashley's. I did not want to become picayune about it and change all the little things that I thought ought to be changed. I thought it ought to be the same bill, with two exceptions. One is, I don't have a dollar figure in the authorizing section; rather, it just says, as we oftentimes do, "such sums as may be appropriated."

Mr. Ashley, working with the Budget Committee and all, is going to have to work with the Appropriations Committee to determine how much is going to be made available for these purposes.

The second thing that I have done in my bill is to eliminate the confirmation of the Chairman and the Executive Director of the Commission by the Senate. The bill does not provide for any specific duties, any specific authorities, anything of that nature, for either the Chairman or the Executive Director, and therefore it seems to me to require confirmation of people to whom you do not give any particular duties or responsibilities or authorities is just unnecessary.

However, I know that the chairman would like to have us act on a piece of legislation that is identical enough with the Senate's so it is not going to require any conference or haggling. So I am not going to make a tremendous issue of this. But it seems to me it is unnecessary, especially the confirmation aspect. We oftentimes get bogged down in confirmation of these people, and as a consequence, you don't get the Commission in action and moving until much later than you otherwise would. And, I cannot see where the legislation delegates to these people such particular authority that would justify the need for confirmation. If you're into that, you might as well confirm all the members, because they seem to have similar powers and responsibilities and duties.

Getting back to your colloquy with Mr. Ashley concerning the executive branch Committee—it seems to me they could work together very well. The legislation establishing this Commission seems to me to be primarily oriented from the ground up, neighborhood up, and regardless of how you try, when you have an executive branch Committee, it is hard to get anyone to believe it is anything but from the top down. So it seems to me that they can be compatible and can both make a contribution without duplication of effort and duplication of funds.

I know you have other things to do this morning, so I will not take more of your time. I just want to say it is a pleasure having you with us.

Secretary Hills. Thank you, Mr. Brown.

Mr. Ashley. I am going to call on the members on the basis of their arrival here.

Mr. Fauntroy?

Mr. Fauntroy. Thank you, Mr. Chairman.

At this time I would like to insert in the record, without objection, a statement.

Mr. Ashley. Without objection, your statement will be inserted at this point.

[The statement of Congressman Fauntroy follows:]

Statement of Congressman Walter E. Fauntroy in the Matter of H.R. 14756, Which Would Provide for the Establishment of a National Commission on Neighborhoods

It gives me a great deal of pleasure to associate myself with the legislation introduced by our distinguished colleague, Thomas L. Ashley, which would provide for the establishment of a National Commission on Neighborhoods.

It pains me greatly, however, to have to admit the sad truth that so many of us fail to recognize the need to preserve and rebuild our communities that we must establish a Commission to tell us what I think many of us already know.

On the other hand, the fact remains that this needs to be done and the mandate which the Commission would be provided in this bill is of the nature I would want to see considered. Our housing policies, our incentive programs, such as community development block grant assistance, and our demonstration projects have never been examined in the context of their impact on the total community. This bill will provide that examination and will, I hope, confirm or deny our beliefs and perceptions of what we think is the impact of our actions.

We must save our neighborhoods. We must embark upon an effort that will make rehabilitation as much a national policy as the creation of totally new housing stocks and new communities. I applaud the intentions of this bill and look forward to hearing from the witnesses.

Mr. Fauntroy. And to add my thanks to the Secretary for her excellent testimony.

I simply have one question, Madam Secretary. You have mentioned both the Cabinet-level Committee on Urban Development and Neighborhood Revitalization established by the President earlier this year and the Urban Reinvestment Task Force. As I have looked at the bill and listened to your testimony, I could not help but think that the comprehensive task which the Commission set for itself would benefit from the functions apparently being performed by both of these entities. In looking at the composition of the Commission, I wondered to what extent we expect to call upon those who have been deeply involved both in the question of reinvestment in the cities and the policy matters which have claimed the attention of the Urban Development and Neighborhood Revitalization Committee and to what extent may we expect appointees to the Commission to draw heavily upon their work within these two areas, at least?

Secretary Hills. Well, Mr. Fauntroy, as I read the legislation, there are five members required to be elected or appointed officials of local governments, five members required to be elected officers of recognized neighborhood organizations engaged in development and revitalization programs. The remaining members, in addition to two Members of the Senate and two Members of the House, must be drawn from outstanding individuals with demonstrated experience with neighborhood preservation activities. And I cannot believe that with that composition, each will not draw from his or her current and past experiences which are indeed at the local level—as Mr. Brown so aptly put it—at the level from the ground up.

So in answer to your question, I think we could expect just what you are asking.

Mr. **Fauntroy**. You would not see the necessity of really mandating that a person do be involved with the present committee and someone from the Urban Reinvestment Task Force be placed on the Commission in the same fashion that we placed representation from the Senate and the House?

Secretary **Hills**. I am not sure that mandates have a real place on this Commission. I would think that a member from the President's Committee might be an apt appointment, and I would think that someone who had been involved in such a splendid effort as the Urban Reinvestment Task Force would be a highly considered appointment.

But if you start putting mandates in a 20-person Commission, and you are going to get requests all over for a mandate for a variety of groups. So I think I would leave it to the good judgment of the parties making the appointments.

Mr. **Fauntroy**. Thank you.

Mr. **Ashley**. Mr. Hanley.

Mr. **Hanley**. Thank you, Mr. Chairman.

Madam Secretary, it is always a pleasure to have you aboard. I certainly want to express my appreciation for your support of this concept, along with my commendation to the authors of the legislation. I feel that it has very definite need. I know as a longtime proponent of urban renewal, as I observed the implementation of it, I endured much in the way of disappointment, as I saw those who have energetically implemented the program without giving any thought to the ramifications insofar as neighborhoods were concerned. They would move in and bulldoze a large sector within a city, flushing the residents of that area out into another area which would become a target for the fast buck operators who would then convert the originally intended one-family residences into multiapartment dwellings. Instead of urban renewal providing the intended improvement in the community, we created another ghetto. And that condition exists in so many of our cities today despite the hundreds of millions of dollars that have been pumped into that program.

So, hopefully, in a way, the Commission that we talk about today can contribute to the alleviation of that shortcoming with regard to perhaps many of our other community development and urban renewal programs.

I would be less than candid if I did not say that I am always apprehensive about duplication. I would hope that this would not be the case with regard to the efforts of the President's Commission, that is, that of the intended body, should this become enacted into law.

Can you tell me, is there a full-time staff working on behalf of the President's Commission.

Secretary Hills. Not a separate staff, as such, but the persons with expertise within HUD—for example, the Assistant Secretary for Policy Development and Research is working very closely with me in my role as chairing that committee.

Again, his Deputy and his economists are working very closely on it. So we have not had a separate staff hired but are using the resources that we have available. And since it is not only the HUD programs that are involved, but all of the Federal programs that are involved, where there is data required that concerns another department, we call upon our counterparts in those other departments.

Mr. Hanley. So, there is not any specific budget for staff purposes with regard to the President's Commission?

Secretary Hills. No.

Mr. Hanley. Along with your support, I would assume that your position would be transmitted to the Office of Management and Budget when we get to the decisionmaking process related to the moneys necessary to fund this staff.

Secretary Hills. Certainly, my position favoring this legislation, and strongly favoring the objectives of this legislation, has been already passed to the Office of Management and Budget, and has their concurrence, along with that of the administration.

Mr. Hanley. I believe you have already said that you are in essence speaking on behalf of the President. The President would concur with you?

Secretary Hills. That is correct.

Mr. Hanley. Thank you very much, Mrs. Hills. Again, it is nice to have you with us.

Secretary Hills. It is my pleasure to be here.

Mr. Hanley. Thank you very much, Mr. Chairman.

Mr. Ashley. Mr. Stanton?

Mr. Stanton. Thank you, Mr. Chairman. Mrs. Hills, I am very glad to see you.

Secretary Hills. Good morning, Mr. Stanton.

Mr. Stanton. I sort of have to play the devil's advocate a little bit, and I say that out of all due respect for the present Secretary of HUD. The President and the chairman of our subcommittee are all in favor of this, but I am always cautious, and particularly right now, on another one of these national commissions; primarily based on my own experience.

And, although I see my friend Mr. Rees is a cosponsor of this bill, the experience that the two of us have had at the most recent establishment of a national Commission—which was a national Commission on supplies and shortages in which we pushed, and now finally is moving along rather smoothly. Regrettably, it is about 2 years late. And, as I look back on this Commission, Mr. Chairman, I think one of the things that you would want in this type of legislation, if you go this route, is a deadline on which the President of the United States would have to appoint the members.

We got into a discussion about the confirmation by the Senate, and so forth.

ı the mining industry, for example, we excluded that type of son. You involve people who are closely related to the neighbor- d problem in this one. What it amounted to was a good year's y. It went back and forth to the Senate; who liked this guy, who d that fellow—and before the President of the United States ever e up with the members on the Commission, we were months behind dule.

ou want to set some type of deadline. Of course, that throws you the next problem of implementing this particular legislation, I hope we are doing more than just motherhood here before an tion, because it is such an important subject matter that has to ddressed. And whether or not it is a national Commission or a task e, or a combination of this committee or subcommittee, and a sub- mittee of the Senate, and members of HUD who are most involved his, I would look at it as: What would accomplish the purposes— ch are excellent—as outlined in all of the legislation, in the light what could be accomplished the quickest?

nother word of caution, as we go into this thing, although your imony hit it: Is this the type of legislation that some of us are ng to have a hangup on 1 year from now, or 1½ years from now, say, well, we ought to do this, but let us wait another 6 months; the onal commission is going to report on this, and they have got a of information, and we are going to need that? And under this slation, I cannot conceive whether or not Mr. Carter or Mr. Ford— ould be conceivable that it would be almost Easter until he got und to appointing Commission members.

r. Hanley. Would the gentleman yield?

r. Stanton. Yes.

r. Hanley. I want to give you assurance that Mr. Carter has red me that he will expedite action on this Commission.

r. Brown. Will the gentleman yield?

r. Stanton. What is it going to be: January 21, or April 21? know, we are here this morning for more than window dressing, ope. So, I just bring that out, Mr. Chairman, and I appreciate time.

r. Ashley. Mr. LaFalce?

r. LaFalce. Thank you, Mr. Chairman.

adam Secretary, I would first of all like to quote from a recent r by Senator Proxmire, in which he says that "Mrs. Hills has led the challenge of her job with skill and sincerity," and that has brought in a positive tone to HUD.

cretary Hills. That surprised me, too.

r. LaFalce. I want to concur in that statement by Senator xmire, and I only wish that you had the backing of OMB and dministration to carry out the skill, sincerity, and tone that you brought to the office. But, because I do not believe you do have , I would like to ask you a few questions.

ou state that you support this bill, that OMB does, and that the inistration does. Do I therefore have your permission, since funds acking in the budget resolution, to offer an amendment this after- , and state that I have the support of the Ford administration pproximately $500,000 in order to fund this bill in fiscal 1977?

Secretary **Hills**. Well, certainly, you have the ability to offer such a resolution. I do not know how that complies with your Budget Control Act.

Mr. **LaFalce**. I know I have the ability to do it. But I am wondering whether I have the right to say that you, OMB, and the Ford administration would concur in that amendment. You said $200,000 was too low. So I suggest $500,000.

Secretary **Hills**. I have not analyzed the $500,000, Mr. LaFalce; and I am not certain of how you would offer this legislation. Would this be a supplemental appropriation to P.D. & R.'s budget?

Mr. **LaFalce**. I would suggest making it an amendment to the budget resolution this afternoon, and time is of the essence.

Secretary **Hills**. Well obviously, since you are raising the question for the first time this morning, I have not had the opportunity to clear this with OMB or with President Ford.

Mr. **LaFalce**. Well, there is a difference in passing and authorizing a piece of legislation, and appropriating money for it.

Mr. **Brown**. Will the gentleman yield?

Obviously, I have not seen any of the leadership go down to the White House and ask them if it is OK to adopt any kind of budget resolution.

Mr. **LaFalce**. Well, I did not know until this morning that the President was going to back this bill.

Mr. **Brown**. The budget resolution is a product of the Congress, not the administration.

Mr. **LaFalce**. I know. But it helps if the administration supports efforts when they are made.

Mr. **Brown**. Well, I think the Secretary has already said that she concurs in the concept. How much money should be authorized for it, she does not know at this point in time. So she is in no position to say that she would endorse any kind of amendment you would offer, and I think she is totally justified in that.

Mr. **LaFalce**. Mr. Brown, you have been very helpful to her. Thank you.

Let me go on, now. I have to differ with the statement by the chairman of our subcommittee, Mr. Ashley, who said it is a rare occurrence—every fourth year in the fall—that the administration seems to agree with proposals made by this legislative body. I seem to think it has been happening recently with some degree of frequency.

But the appointment on June 30, 1976, of this so-called Presidential Committee that is unstaffed after what have been years of neglect of the neighborhoods is, I think, a very questionable activity.

You mentioned in your testimony that the Urban Reinvestment Task Force had $2.5 million in fiscal 1976, and $4.5 million in fiscal 1977. Was that a product of the administration's? Did the administration request $4.5 million?

Secretary **Hills**. Yes. That was a request within our budget of P.D. & R.

Mr. **LaFalce**. I am not talking about that. I am talking about OMB's recommendation to the President on the budget. Wasn't it added on by the Congress?

Secretary **Hills**. Let me state that that portion comes out of our P.D. & R. budget. We were considering the request of upping the

Urban Reinvestment Task Force allocation from $2.5 million, and we were working with Mr. Whiteside, whom you will have the opportunity to exchange remarks with this morning on what is the optimum size and what his group can optimally carry.

There has been testimony, I believe, before the Senate. And it was suggested, since that program was so successful, it ought to be mightily expanded. And I believe—at least I was advised by Chairman Proxmire—that Mr. Whiteside demonstrated himself to be a most unusual bureaucrat, in strongly urging that his expenditures and program not be mightily expanded in a sudden fashion, because you would lose the merit of what he had been able to achieve.

We believe that the funding that we have now settled on is the right level of funding at this time.

[In regard to the above matter the following letter with attachment was received from Assistant Secretary for Policy Development and Research, Hon. Charles J. Orlebeke containing background information on HUD funding of the Urban Reinvestment Task Force:]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., September 15, 1976.

Hon. JOHN J. LAFALCE,
House of Representatives,
Washington, D.C.

DEAR MR. LAFALCE: During the September 9 hearing on the proposed National Neighborhood Policy Act, you raised a question about HUD funding of the Urban Reinvestment Task Force. My purpose in writing is to provide you with additional background information in order to clear up any confusion which may remain following the exchange at the hearing.

In order to provide for the orderly management of the Urban Reinvestment Task Force, the funding of the URTF by HUD's Office of Policy Development and Research is governed by an interagency agreement covering years 1975–1979. Specifically, the agreement called for HUD funding at $2,608,000 in FY 1975, $2,500,000 in FY 1976, 1977, and 1978; and $1.5 million in FY 1979.

As you know, the Urban Reinvestment Task Force is a demonstration program, and we have been evaluating it as it has developed over the last two years. Since the program has shown considerable promise, we began some months ago to discuss with the URTF the possibility of increasing our support for the program in order to permit some expansion. The attached minutes of the URTF meeting of June 23, 1976, reflect these discussions. At that meeting, the Staff Director of the URTF was authorized "to go forward with investigation of ways to provide for manageable incremental increases in Task Force activities; [and] to coordinate with Assistant Secretary Orlebeke in regard to potential additional Department of Housing and Urban Development demonstration grant funding . . ."

No definite decision could be made on the amount of the increase since Congressional action on the budget for the Office of Policy Development and Research had not been completed. What happened was that the Appropriations Committee Conference Report set the Fiscal Year 1977 URTF at $4.5 million. We had actually been contemplating a larger increase for the URTF if Congressional action on the overall research budget had been more favorable than it turned out. But since our original request of $71 million was cut back to only $55 million, we were clearly unable to do so. In short, we are happy about the $2 million increase for the URTF and would have been even happier if our budget outcome had made it possible for us to increase it further.

If you would like to have any further discussion regarding our support for URTF, please let me know.

Sincerely,

CHARLES J. ORLEBEKE,
Assistant Secretary for
Policy Development and Research.

Attachment.

MINUTES OF THE SEVENTH URBAN REINVESTMENT TASK FORCE MEETING OF JUNE 23, 1976

(AMENDED)

The Task Force met in room 630 (Management Information Center), of the Federal Home Loan Bank Board, 320 First Street, N.W., Washington, D.C. at 2:00 p.m. on the 23rd day of June, 1976.

Present: Members Garth Marston, Philip C. Jackson, Jr., and Robert E. Barnett, Charles Orlebeke representing Carla A Hills, and James Keefe representing James E. Smith. Also present were:

HUD staff.—Claude Barfield and Sybil Phillips.

Task Force staff.—Wm. A. Whiteside, James A. McNeirney, Harry Brunett, Jack E. Gallagher, Rosanne Brady, and Winnie Morton.

NHSA staff.—Mary L. Widener.

FDIC staff.—Paul Horvitz and Margaret Olsen.

FRB staff.—Bernard Freedman.

FHLBB staff.—Richard Platt.

Acting Chairman Marston opened the meeting and called on Wm. A. Whiteside to present the Staff Director's Activity Report (Attachment A of Agenda). Mr. Whiteside presented the report in summary, touching on salient points and responding o questions. Additionally, Harry Brunett gave a short briefing on Neighborhood Preservation Projects, and Mary Widener commented on NHSA Secondary Market developments.

Acting Chairman Marston requested action on:

Action Item 1—It was resolved that the minutes of the February 17, 1976 meeting of the Urban Reinvestment Task Force be approved as submitted.

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Approved by the Task Force Members.

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Action Item 2—It was resolved that the Proposed Amendment to FY 1976 Budget be approved as submitted.

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Approved by the Task Force Members.

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Action Item 3—It was resolved that Action Item 3 be approved as restated: APPROVAL FOR THE STAFF DIRECTOR to go forward with investigation of ways to provide for manageable incremental increases in Task Force activities; to coordinate with Assistant Secretary Orlebeke in regard to potential additional Department of Housing and Urban Development demonstration grant funding; and to develop a methodology for securing additional competent managers in conjunction with the increase in activities and funding.

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Approved by the Task Force Members.

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The meeting adjourned at 3:45 p.m.

Mr. LAFALCE. Secretary Hills, how much was your grant to the National Center on Urban Ethnic Affairs for?

Secretary HILLS. It was $474,000, I believe.

Mr. LAFALCE. How long did it take to process that grant? It is not true that it took about 13 or 14 months from the time it was submitted in order to get approval?

Secretary HILLS. I am advised that the first version of the grant was submitted last fall, and it has been going through staff assessment and some reformation, and that the sum is $474,000 that was awarded.

Mr. LAFALCE. It has taken over 1 year to process this application?

Secretary HILLS. I have to advise you that the proposal was initially for a different amount, and a different scope.

Mr. LaFalce. The proposal was for approximately 17 cities, as opposed to 2. Is that not correct?

Secretary Hills. That is correct.

Mr. LaFalce. What I am concerned about is this announcement comes this morning, the day of the hearings. I think the official notice was yesterday. This particular grant and the appointment of the Presidential Committee remind me a little too much of what happened at Yellowstone a few days ago: a major parks proposal following on the heels of a tremendous scandal insofar as the condition of our national parks is concerned.

Secretary Hills. Mr. LaFalce, I take exception to that. I appreciate your remarks made earlier about the problems of earlier urban renewal. Now, we have had for less than 2 years, or just about that time—certainly less than 2 years in implementation—our block grant programs, whereby we have moved the decisionmaking down from Washington to the local level. And we have seen the benefits of the program.

With this additional experience and knowledge, the President appointed the Committee on June 30, 1976. I think it is a beneficial step after this time period, seeing what the locally elected officials, working with neighborhood associations, can do.

Sometimes we say too early in the game that we ought to proceed massively, even where there are mistakes. On the other hand, I can give you a footnote of our urban homesteading program, whereby we have proceeded with caution and study, and have seen an absolutely splendid program, as distinguished from earlier homesteading programs which have failed. The same is true for expanding the Urban Reinvestment Task Force beyond the level which it can adequately handle.

Now, if you are suggesting that June 30 was not a propitious time for the President to proceed, based upon the solid study and recommendations from his Cabinet advisers, then I take issue with you. What you would be suggesting is that the President should be inactive the whole last year prior to an election, and I take strong exception to it.

I can tell you I think we have made magnificent progress in the short few weeks that our Committee has been in effect. The Committee had learned a great deal. I believe locally elected officials have appreciated our open lines of communications and our efforts to streamline the delivery of Federal grants to them. I believe the neighborhood associations will be equally praiseful of our efforts here.

Mr. LaFalce. I believe my time has expired. May I just ask permission to have Senator Proxmire's letter inserted into the record?

Mr. Ashley. Without objection.

[Senator Proxmire's letter referred to by Congressman LaFalce follows:]

[From the Washington Post, August 18, 1976]

Sen. Proxmire on the Administration's Housing Record

The August 3 Washington Post carried a "Taking Exception" article entitled, "Speaking for the Neighborhoods," by Housing and Urban Development Secretary Carla A. Hills.

I must take sharp issue with the implication in Mrs. Hills' article that HUD is making great progress on the urban housing front. The harsh fact is that, since January, 1973, this government has given practically no new housing assistance to the nation's poor. In that month, President Nixon froze all federal housing aid, and kept it on ice for a year and a half while he impounded, studied, and stalled. Then, he resigned, two years ago this month, leaving Gerald Ford to sign and implement his alternative—"Section 8" rent assistance.

President Ford began by retaining Nixon's moratorium mastermind, James Lynn, as HUD Secretary. Few people were surprised, therefore, when another year passed before HUD got the new program started. Lynn was rewarded with the head job at the Office of Management and Budget, and Carla Hills took over.

She inherited a disaster. People believed by then that Section 8 was intended to be unworkable as a way to continue the moratorium. The low-income groups, local housing agencies, builders, certainly Congress, and even the HUD bureaucracy itself, were deeply cynical, and even embittered.

Mrs. Hills tackled the challenge with skill and sincerity. She brought in a positive tone.

But tone is not the same as results, and neither are the HUD actions Mrs. Hills cites in her article. They are merely tiny sparks of promise which, when contrasted with the enormity of our urban need, or even the tools which Congress has made available, are, in my view, pitiful.

Let me respond to her points in turn.

1. Many of the HUD activities she cites are just studies. The new committee on neighborhoods, in fact, takes up half the article. Creation of a committee may be worthwhile. It is hardly a record of achievement.

2. The community development block grant program has virtues, certainly, but also many, many problems. Neighborhood action groups recently told Congress that HUD's totally handsoff policy has let city officials use the funds for political projects which bypass the people. HUD's simplify-at-any-cost mentality has even led them to fight some of our best separate programs, like rehabilitation loans.

3. Mrs. Hills points to urban homesteading, which sells abandoned homes for a dollar if people will fix them up. She does not mention that this program is only an experiment—very small.

4. The Secretary acclaims the Urban Reinvestment Task Force, and I share her enthusiasm. She does not say that HUD has threatened to withhold part of this small program's needed funds.

5. Finally, Mrs. Hills says that "Urban housing has been upgraded through HUD's program of rental subsidies for lower income families," evidently a sadly misplaced reference to Section 8.

Let me offer the following contrasting record of HUD's accomplishments.

1. The two-year old Section 8 program is supposed to assist 400,000 families by September 30. As of June, only 23,064, or one-twentieth, of these families were in their homes. Only 1,450 of these units were new or substantially rehabilitated, an incredibly sad record.

2. HUD expected to help 50,000 lower income families become homeowners this past year. In fact, they helped 2,337—again about 5 per cent!

3. HUD has threatened to rescind funds for housing rehabilitation loans.

4. The administration has strenuously opposed a small drop in interest rates on elderly housing loans, needed to make this housing feasible.

5. Public housing and other strong programs which could fill the void are almost totally shut down.

The list goes on. The point is clear: results are what count. And results we don't have.

WILLIAM PROXMIRE, *United States Senator (D-Wis.)*.

Mr. STANTON. That reminds me. There were one or two of the members of the subcommittee this morning who wanted to ask a couple of questions to the witness.

Mr. ASHLEY. Well, the record will be kept open. I am sure the Secretary will be more than pleased to submit answers.

Mr. LAFALCE. Mr. Chairman, may I ask unanimous consent for 30 seconds?

Mr. ASHLEY. Yes.

Mr. **LaFalce.** I just want to say that the Urban Reinvestment Task Force was very helpful to me in conducting a seminar on the problems of neighborhoods in my congressional district. A representative from NHS came, as did a representative from the neighborhood preservation program. And a representative from HUD came as well. We had about 500 people who are involved in neighborhood development and revitalization from many perspectives attend a seminar that lasted an entire day. And Mrs. Hills, I want to thank you and your Department for the cooperation that your Department showed in helping me conduct what I thought was a very helpful seminar in my congressional district.

Secretary **Hills.** I am delighted you found it useful.

Mr. **Ashley.** Mr. McKinney?

Mr. **McKinney.** Thank you, Mr. Chairman. Welcome, Madam Secretary; it is good to see you again.

Secretary **Hills.** Thank you, Mr. McKinney.

Mr. **McKinney.** This, by the way, is near and dear to my heart; in fact, even as a nonresident of Washington, we have a neighborhood association. We close off our streets four times a year; we have block parties, we watch each other's homes. There is a feeling of solidity in a mixed neighborhood in this city, and it is good.

And when I was a kid living in Pittsburgh, you did not stay out of trouble because there were a lot of police. You stayed out of trouble because your neighbor saw you riding on the back of a streetcar up Shady Avenue, and immediately called your mother and said, your kid's on the back of the streetcar. And you stuck together.

One of the things that bothers me about this, Mrs. Hills, is it is another Commission, and it is another report.

This is sort of a double-edged sword, so I hope you will take the criticism in good spirit. It is HUD's policies—which I know you are changing, your Presidential Commission wants to change—that are destroying my neighborhoods. Site criteria selection, impaction of subsidized housing, so-called—though I have not discovered what they mean by it—race impaction, noise level impaction, and so on and so forth.

These policies, in every instance in my northeastern industrial cities, are making us destroy, rather than rebuild, neighborhoods. In cities such as Bridgeport and Stamford and Norwalk, we do not have the sturdy brick buildings of a Washington, which can be rehabilitated, or which can be taken over by urban homesteading. We have, unfortunately, very dilapidated three- and four-story frame buildings, which usually have to be taken down. Something new has to be put up. And we have the area, usually, in abandoned lots, so we do not have to move people.

But we are continually told by HUD's representatives: "Oh, no, you cannot build any more subsidized housing there. So, in essence, we have to tell people, if you want a decent place to live, we are going to have to throw you out of the neighborhood.

I guess what I am getting to is, the Commission is a Commission, and the report is a report. What I really want to know is, how would you feel about giving this organization some power in HUD, so that we could have the necessity of a neighborhood review, just as we have the necessity of an environmental review, a site criteria review, and an economic impact review, et cetera; in other words, making it a viable part of your organization, which has the power to make an exception to the regulations of your department that are now destroying so many of our neighborhoods.

And, let me say that I know you do not write these regulations, and I know that quite often, Congress has caused half of the problems with its statements. But what I am trying to say is: How do we go from Commission to action, and how do we get a voice for a neighborhood which wants to maintain itself over all of the selection criteria that destroy our neighborhoods which are now extant?

Secretary HILLS. Mr. McKinney, I think it would be premature to stipulate to a process that might be obtained from a Commission that has not yet been created or appointed. You raise some very tough social issues. You and I have discussed them. The site selection criteria, which try not to concentrate economically disadvantaged people repeatedly in the same geographic area, have proponents on both sides of the fence. The social issues, which require a very delicate balance, are always difficult, and this is one of them.

Clearly, we do not want to create ghettos of people who are similarly disadvantaged. On the other hand, we do not wish to destroy neighborhoods. And so it is with racial problems, where we find concentration of our minority citizens. What we are trying very hard to do is to open housing opportunities to all people, so that they have choices. And we are, as you know, reassessing site selection criteria.

But, one has to think very carefully where there is a concentration of lower income people in one part of the city, and a request to build in that part of the city, and you have another bid in a less concentrated area somewhere else in the city, and the tenants would prefer the latter, and you only have funds to fund one of the projects.

So, it is difficult. We are looking at site selection criteria. I think the social issues with respect to rehabilitative projects, and projects on urban renewal, require a different focus, perhaps, than new construction. But this is a policy question which we are analyzing right now, and I think that we will bring—I can assure you we will bring—the neighborhood impact and those concerns to bear when the policy decision is made.

Mr. MCKINNEY. Thank you very much. My time is up. But I appreciate your expression that as long as you are Secretary of HUD, that you will concentrate on what this Commission would say. I just wish we could empower them a little bit. I certainly am not one that wants to add to any neighborhood's problems, but to have to destroy a neighborhood in order to give people decent housing is to me what has destroyed our cities. It is Boston's problem, and Bridgeport's, and the problem of every other city in the Northeast.

Mr. ASHLEY. Mr. Gonzalez?

Mr. GONZALEZ. Madam Secretary, do you really feel that this legislation is necessary—this type of legislation, now? Do you believe it should have this kind of priority at this point?

Secretary HILLS. I think this legislation can perform a useful service to the country.

Mr. GONZALEZ. I know that a lot of these ideas are useful. I am talking about priority. I am talking about the urgency, at this time, in the waning period of the 94th Congress, to enact another study Commission. Do you really feel there is an urgency about it?

Secretary HILLS. Mr. Gonzalez, it does not trouble me that the project is in the waning days of the 94th Congress. I think the latter part of the 94th Congress should be as productive as the first day of the 94th Congress, and I say the same thing with respect to the administration that I serve.

I think that we should take those proposals, those issues and causes that we see, one by one, and call them as we see them. I believe that the problems of our neighborhoods are real and that this study would be beneficial. I am delighted the President did not wait upon the creation of the Commission before appointing the Committee, and I think that the Committee has made considerable progress. But I think the Commission can work in harmony, and be useful, on our mutual objectives.

Mr. GONZALEZ. That's fine. That's a nice philosophic statement. I don't think anybody could quarrel with it.

My question is, "Do you really feel this is necessary?"

Secretary HILLS. I believe that this is the best suggestion that Congress has made with respect to studying our neighborhood problems; and, I think that the study will be useful, of course.

Mr. Stanton has raised concerns that could materialize. You always worry when you appoint a Commission whether you are simply appointing another level of bureaucracy. His experience, of course, with the Commission on supplies and shortages to which he referred, is that they strove vigorously to appoint persons who have no familiarity with the issues at hand so that there would be no allegation of conflict of interest, as I understand it.

Now, in this Commission, to the contrary, there is a mandate that its members be people who are deeply involved with the issues of our neighborhoods, whether they be locally elected officials or people who have worked with neighborhood associations or a blue-ribbon citizens' committee so I think there is a good opportunity.

I admit that I have no crystal ball. The Commission, if not driven by an administrator who is going to call meetings promptly and set deadlines, will not be productive.

Mr. GONZALEZ. Let me interrupt you because we have limited time and I don't mind this, ordinarily, but I do mind under the circumstances. You are chubbing my time during my limited question period.

Don't you believe, though, that since you are in power, you are the Secretary of HUD, you do presently carry out programs that you can use judgment value decisions as to whether you are going to preserve the neighborhoods or not?

For example, HUD insists, where you have, as you said awhile ago, a choice between funding the rehabilitation effort in an inner city with funding a ranch town on the perimeter or outside of the city.

Secretary HILLS. I did not say that, Mr. Gonzalez.

Mr. GONZALEZ. But you are doing it.

Secretary HILLS. That is not correct, Mr. Gonzalez.

Mr. GONZALEZ. Let me state that in answer to Mr. McKinney's site selection problem, the project is the same. It will be an elderly project or a bid for a low-income family project. And the question is: Which site would one select? Whether one selects one that is bid in an urban renewal area, in a rehab area or possibly where there is less concentration of similarly disadvantaged people.

Secretary HILLS. There are merits on both sides of the argument. It is often difficult but it is not a question of ranch rambler versus a low-income project.

Mr. GONZALEZ. Well, I may not have made myself clear; but that is the exact case in San Antonio, Tex.

We have had, we have been told and HUD has said, and its spokesman and Deputy Secretaries and Assistant Secretaries that where there has been *x* number of funds and a commitment to a ranch town, which by its very definition, will house the near millionaires or millionaires, that there are not sufficient funds to carry out an inner-city project.

That has, also, been equally approved by the local governing body.

Secretary HILLS. Mr. Gonzalez, I would like to have the opportunity to brief you on our recent programs. And, you have cautioned me about the length of my remarks; but I certainly will augment the record to clarify this matter if permitted by the chairman.

We have an allocation from Congress for low-income housing that is geographically spread equally based on the statutory formula and there is no competition between the millionaire's house and our fund for low-income citizens.

Mr. GONZALEZ. Well, if you would just be kind enough to reexamine the San Antonio situation with specific reference to ranch town versus a request by the renewal authorities or the new agencies there for inner-city projects. I would appreciate that, because I think you will find that you may not be acquainted with all of the facts.

Secretary HILLS. I will also say that this administration requested more moneys for low-income housing than the Congress was willing to grant.

We asked for $850 million and got $675 million. So our commitment is real.

Mr. GONZALEZ. All I can say is I am not attacking the administration. This isn't a political charge. I am pointing to a specific, basic program and decisionmaking process in HUD where you had a choice; where you had a decision; where there are two demands. One for inner-city improvement; one for outside-city improvement. And the decision has been made as I have explained.

Now, I think, if you will review that case; just take the city of San Antonio and forget Fort Worth and the other projects, I think you will see what the facts are.

Secretary HILLS. Mr. Gonzalez, we do not make the decision at HUD with respect to inner-city improvement or outer-city improvement. The locally elected officials do based upon a formula of funds.

We have no control over the use of those funds other than within broadly stated congressionally enacted guidelines.

The locally elected officials must spend their community development funds to remove blight, to assist low-income families or to address an urgent community development need. It is not determined by any bureaucracy in HUD—unless you wish to take us back to the sixties where the rules were quite different.

But since 1974, believe me, it is not HUD's decision on inner-city versus outer-city improvement.

Mr. ASHLEY. Mrs. Boggs has returned from another meeting. Mrs. Boggs, do you have any questions?

Mrs. BOGGS. Thank you so much, Mr. Chairman.

I am sorry that I have not been here for the testimony. I would just like to make a statement at this point that I am very happy that the Secretary is here with us. This is a very important bill and something that is very badly needed to have cohesiveness among the various projects and proposals that all of us have worked with for a very long time. My own city of New Orleans identifies by neighborhood. Ask anyone where they live, they will tell you, "I live in central city" or "I live in the Garden District." And, they will tell you the street or street number where they live. It is a very neighborbood-oriented city. And because of this, I think many of the programs have been able to work in a cohesive fashion.

As the Secretary knows, we have two Horizons on Display program projects in the city at Coliseum Square. This is recognition of the kind of cohesiveness that can exist in our neighborhoods, but we have many, many problems where areas of need go untouched and we have, perhaps, still too much concentration in other directions.

So I am very grateful to you for being here and I am sorry that I do not have some questions at this moment, but I am sure I will after I have fully read your testimony.

Thank you.

Secretary HILLS. Thank you.

Mr. ASHLEY. Mr. Stanton.

Mr. STANTON. Thank you, Mr. Chairman.

I just would like to ask Mrs. Hills one more question—6 months ago, the Small Business Committee passed a bill and we went to conference with the Senate. Senator Tower was dead set on having a national Commission study the problems of small business in this country. He had a bill with a $1 million budget.

We talked him out of it and substituted for it, an assistant to the Director of the SBA, to have Senate confirmation, and Assistant Secretary—whereby he could draw from within the organization people—GS–17's or 18's who have been in this field for years and come up with a study of small business problems.

What bothers me on this legislation is that for years people have been dealing with urban renewal or neighborhood cities and not the political high spectrum of Presidential appointees; but, within your organization you have the expertise of people who have been there for years who could be taken from their particular job and put into a broader aspect of looking back and coordinating this project.

I think that such a possible organization could be formed to study the real problems that exist with Federal implementation of programs that affect our neighborhood. To draw within the organization people with perhaps the ability or the appointment of a task force—to have somebody from the House staff or the Senate staff—members helping serve on an advisory Commission.

Don't you have some GS–18 who has been on urban renewal for years whom you could draw under the leadership of somebody who the Senate would appoint in HUD who could accomplish these things if taken from their job for a few months? Five or six or ten people like that, augmented with others could accomplish a great deal.

Secretary HILLS. I have a great deal of confidence, Mr. Stanton, with respect to the professionals in HUD; and they have years of accumulated experience and expertise.

I think the perception, however, is that the participation from the outside is desirable. I am not certain whether you could reform the legislation which is now being addressed into one creating an advisory Committee reporting to someone within the Department and still generate the same degree of confidence that a report from a purely outside group would generate. That is something that we would have to discuss. I think that in an alternative and it is not a frivolous alternative. It is just that it involves those competing considerations. You and I might have a great deal of confidence in such a group and I could certainly set down deadlines and feel comfortable that I know that within a short period of time, a splendid work product could be produced.

But that is not to say that the proposal now before us could not also be as effective. It is difficult, without a crystal ball, to know who will be apointed, whether they will meet deadlines, set deadlines, and be an efficient organization. I think the objective of the legislation is useful, and meritorious. And so for that reason, I support it.

Mr. ASHLEY. Madam Secretary, thank you very much, indeed, for your valuable testimony this morning. It has been most constructive and we will excuse you at this time.

And, I would say to the members of the subcommittee that we do have a number of witnesses. We must proceed with some degree of alacrity.

Our next witness is our most distinguished colleague from California——

Secretary HILLS. Thank you, Mr. Chairman.

Mr. ASHLEY [continuing]. The Honorable Yvonne Brathwaite Burke.

We are delighted you are with us this morning, Mrs. Burke. And if you will proceed, please; we are trying to limit testimony to the extent possible because we have a time problem. If you would care to have your full statement inserted in the record, we could do that.

Mrs. BURKE. I would like to ask that the full statement be inserted into the record.

STATEMENT OF HON. YVONNE BRATHWAITE BURKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mrs. BURKE. I will summarize and address some of the issues.

I do want to commend you, Mr. Chairman, for introducing this legislation and for giving it your full support. I do think it is necessary for us to consider this legislation at this time. I have also introduced a piece of legislation substantially the same but with certain differences; and I would like to emphasize and discuss those differences today.

Before I do that, however, I think we must give credit to people who have developed some of these concepts. Msgr. Geno Baroni, Dr Arthur Naparstek, and Gale Cincotta, of Chicago, are people who really brought forth the material and emphasized the need for this neighborhood concept. In hearing before Senator Proxmire and now oday, they have continued to stress the importance of rebuilding neighborhoods.

There are three changes I made in this legislation that caused me to ntroduce this separate bill. The first change is language emphasizing he diversity of neighborhoods. This whole question of neighborhoods has become a very sensitive issue in recent months.

I think the phrase "ethnic purity" brought it to our attention—the nference that there are some very positive characteristics in neighborhoods and that those same positive characteristics are also the factors hat have often caused the greatest antagonism.

And, as we approach building up these neighborhoods we want also o build on and emphasize the need for pluralism and diversity in neighborhoods. Our policy should preserve neighborhoods, but not in a manner that keeps people isolated. By promoting diversity, we will insure that we do not eliminate those factors that are necessary for a positive environment.

The second thing is that in this legislation we have indicated there should be 50 neighborhoods that would be studied. And, we say that, because we feel it is necessary to review a cross section of various types of neighborhoods.

The third difference is in the level of authorization, found on page 9. We are recommending a level of $5 million rather than $2 million because we feel there is a need for an expansion of the bill's approach.

I would now like to address the question, "Why a Commission?" The need is actually for a review of some of the legislation that Congress has passed. We have found that, for a number of reasons, some of the tremendous ideas that have come from this committee have not necessarily preserved neighborhoods. We have seen the dynamics of redlining and the refusal of financial institutions to lend money in certain areas. The new redlining legislation has been important in reversing this process. But we also know that some of our Federal programs have a similar individual approach built in, or the kind of approach that builds in incentives to put money into certain areas desirable from a business standpoint. I think that what the Secretary has said has just emphasized the problem.

We say to HUD, "You're going to have to do something about your foreclosure rate; you're going to have to do something about your repossessions." Well, HUD has been concentrating so much on that that they have not put money into some areas that we see deteriorating in front of our eyes.

We talk about urban redevelopment, which we have all supported because it is necessary. But, we know, as a matter of fact, any time you have a matching requirement of money, and a redevelopment project which has overwhelming approval from business and political groups, that the incentive is to put the matching money into that very popular downtown project rather than putting out into a neighborhood where it is more urgently needed, but where it will not necessarily have the same visibility or the same attractiveness to many of the commercial and financial interests. So that within many of our programs, we have inadvertently built in a whole pattern of disincentives that thwarts the legislative purpose. This legislation recognizes that we are going to have to change some of our legislation. Toward that end, we must have a Commission to develop a workable plan.

I don't feel that the Commission approach is haphazard. A Commission can study the whole problem, evaluate the impact of Federal programs, and make concrete recommendations. I think that is the real merit of a Commission approach as opposed to developing legislation that authorizes a program without much evaluation of the need. There are many other things I think we could talk about as fa as the need for neighborhoods is concerned.

But I would like to emphasize the thing we have touched upon in the bill that I have introduced and that is the need to develop the integrated neighborhood. In many instances, we are talking about competing with suburbia.

I tell you, quite frankly, minorities and poor people are the first ones today who sometimes want to leave their neighborhoods. And they want to leave the neighborhood because it is no longer a desirable place to live. But that is simply because we have not made it a desirable place to live. If we start building up some of those neighborhoods in our inner city, we won't see this increase in flight that is no longer just white flight.

Flight today is poor people fleeing, everyone fleeing because they want a desirable place to live. I think that is really our challenge.

To evaluate what it would take to rebuild those inner cities and to rebuild those neighborhoods and make them desirable is the thrust of this legislation. I think the time is running out. I say, "Yes, we should do it in this session." I say we should have done it last session, but we did not get around to it last session. Certainly, at a time when you are talking about evaluating legislation, you are talking about reevaluating departments and what those departments do. It is also a very logical time to evaluate whether or not the approach we have used in the past has been one that has been affirmative or negative. And that is the reason I commend this approach and I say, "Yes, we should proceed this year."

[The prepared statement of Congresswoman Burke follows:]

PREPARED STATEMENT OF HON. YVONNE BRATHWAITE BURKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, Members of the Subcommittee, I am pleased to be here today to discuss HR 15389, a bill I have introduced to establish a National Commission on Neighborhoods. This bill speaks to the need for a comprehensive neighborhood policy which takes into account the great diversity in neighborhoods throughout the nation.

At the outset, I would like to commend three people, without whose help this legislation would not have been possible—Monsignor Geno Baroni and Art Naparstek of the National Center for Urban Ethnic Affairs, and Gale Cincotta of the National Training and Information Center in Chicago. This bill is the result of their studies highlighting the problems created by federal policies which overlook the fundamental concerns of people who live, not in abstract "regions" or "statistical areas," but in neighborhoods reflecting ethnic, racial and religious diversity.

This legislation attacks the patchwork mentality we have evidenced toward neighborhoods and encourages a sound and viable neighborhood policy with the concerns of people uppermost. It recognizes that the American concept of "planned obsolescence" should not be applied to neighborhoods. Houses should acquire character and dignity over the years, rather than being discarded, like automobiles, for next year's model.

of the major practices contributing to this neighborhood decline—red-
-was dealt with recently by Congress. In the investigation of this problem,
he Senate and House Banking Committees found that many mortgage
did not appreciate the attachment people have for their neighborhoods
it lenders often arbitrarily devalued older neighborhoods, thus acceler-
heir decline.

ever, banks are not the only forces responsible for neighborhood dete-
on. Indeed, probably the greatest single influence on urban neighborhoods
federal government. The impact which federal policies and programs have
eighborhoods for good or ill is extensive. Often it is indirect; frequently
nintentional. In some cases, mistaken policies involving large sums of
have had tragic effects for the residents.

prime example of such a policy is the practice of granting tax incentives
meownership. While one of the major rationales for such subsidies is the
o promote housing construction, a substantial side-effect has been the
agement of a move to the suburbs. In fiscal year 1976, tax expenditures
rtgage interest and property tax deductions increased to an estimated
illion, while direct housing subsidies amounted only to $2.8 billion. In
ear 1977, direct housing subsidies will rise to an estimated $3.6 billion.
crease in such tax expenditures since 1973 is one and one-half times the
mount for direct expenditures. It has been estimated that the top 1%
income distribution—people with incomes above $50,000—receives more
0% of all housing subsidies. At least 90% of all families and individuals
ncomes at this level receive housing subsidies through the tax system. In
st, only 7% of all housing subsidies go to that 14% of the population with
s below $3000—even though they have the most desperate housing needs.
han one household in ten in this income range receives any housing
, either directly or through the tax system.

her aggravating the flight from the central cities are FHA's mortgage
ce programs which encourage long-term mortgage loans by institutional
. As of December 31, 1972, FHA's section 203 unsubsidized mortgage
nce program covered more than $103 billion in outstanding loans, pri-
for suburban subdivisions. Yet in the central cities, the volume of FHA-
construction has been minimal. This, in turn, has encouraged the move
uburbs with their FHA-supported housing.

another contributor to neighborhood decline is the problem of conserva-
existing housing. Even apart from any need for new housing, we have
ed to recognize that much existing housing in the central cities is struc-
sound, needing only repair and maintenance. Compared with the high
financing new housing construction, reclaiming existing housing stocks
atively inexpensive way to upgrade neighborhoods. Yet here again, the
impossibility of securing loans from institutional lenders, through red-
nd other practices, has created a prevalent pattern of short-term non-
ional financing at high interest rates which has discouraged housing
nance and moderate rehabilitation.

ed to this problem of urban financing is the lax and unequal enforce-
f housing laws and regulations. As a Member of the House Appropria-
ommittee, I serve on two subcommittees with jurisdiction over HUD,
leral Home Loan Bank Board and the Civil Rights Division of the Jus-
epartment. Early this year, I questioned Assistant Attorney General
Pottinger regarding the number of cases referred to his division for
tion by HUD and the Home Loan Bank Board. In fiscal years 1974 and
ere were no referrals from the Bank Board to Justice. In fact, to date
ord of the Home Loan Bank Board in civil rights compliance activities
al. It is little wonder that residents of our declining neighborhoods have
aith in the overall compliance effectiveness of our regulatory agencies.
rban governments have compounded the problem by using zoning ordi-
restrictive growth policies, refusals to extend city services, and other
to maintain the existing character of the suburbs. The federal govern-
as achieved similar effects by consistently underfunding programs such
's Community Action Programs and Model Cities. At the same time, bil-
federal dollars have been spent on enormous downtown renewal schemes
ly benefiting commercial and political interests. The requirement of
g local contributions has often resulted in a concentration of money
renewal areas, enabling the city to qualify for federal renewal funds
increasing its overall expenditures. This has left other sections of the
ithout funds for needed improvements.

Mr. Chairman, these are just a few of the many problems created by the lack of a comprehensive and coordinated neighborhood policy. They reflect the fact that we in Congress too often have attempted to solve one problem without understanding its connection to other, seemingly unrelated, problems. Resolving the urban credit problem represented by redlining ultimately requires confronting the larger underlying difficulty of reversing urban neighborhood deterioration and promoting stability and preservation. Only then will we signal significant improvement in the quality of life in our central cities.

I feel that this legislation is a necessary first step toward reversing the decline of our cities through a recognition of their vitality and the importance of drawing city dwellers into the decision-making process. I urge the subcommittee's favorable consideration of this legislation. Thank you.

Mr. ASHLEY. Mrs. Burke, thank you very much for an impressive statement. I agree completely with your analysis. And I agree, too that this is simply a necessary first step that has got to be taken. If we are to put together any kind of a positive, rational strategy with respect to our neighborhoods, I think we have got to draw upon the experience that is available which has not been assembled, really in a very intelligent way, to date. And I think we have got to look further if we are to understand the interrelationships that do exist in our neighborhoods that have got to be considered and responded to if our neighborhoods are to be viable and strong.

So I congratulate you on the initiative you have shown in developing your legislation. I think it is very parallel to that which others of us have put forward.

Mr. Brown?

Mr. Stanton?

Mr. STANTON. All I want to do is add my thanks for your appearance here this morning and for your strong interest in the subject matter, not just recently but for a long, long time. We all appreciate it.

Mr. ASHLEY. Mr. Gonzalez.

Mr. GONZALEZ. I have no questions, Mr. Chairman.

Mr. ASHLEY. Mr. McKinney.

Mr. MCKINNEY. I would just like to congratulate you and say that I agree with you, and I wish you would come join the Housing and Community Development Subcommittee.

You said one thing, Mrs. Burke, that really hits right at the heart of the problem. It is one of the reasons I think we should study this and that is, very simply, that the political power is not where we need the help. I tried to tell the Secretary, for all of the efficiency of the block grant, for all of the lack of bureaucratese, and for all the local decisionmaking, that the local decisions in my cities are made on the popular front. They are made by a mayor who is running for reelection, they are made by a mayor and city council that wants to point with pride, and they point with pride to 10- and 15-story buildings built downtown, and they don't point with much pride to the part of the city they never show you when you get the official tour and the official welcoming key. If we can just in some way discover how to get the money to where it is going to do the best for people we would solve a lot of problems. And I would dare say that for every dollar that we put into revitalization, just as for every dollar we put into preventive medicine, that we would save an enormous amount over what we now pay in final sheer desperation when we

e whole place down and build something that no one really
o live in.
ve do not know, and I think that is one of the reasons that we
y support any one of these bills, including yours, that would
the ability to know how. I think we could not only save
but we could save lives, as far as the quality of life is
ed.
oncern is—and I say this even in Darien, Conn., which is one
richest towns in the United States of America, that we are
g a society today which, in my opinion, is as divided as the
that Abraham Lincoln talked about that would not exist half
l half slaves. We are building a society where the new wire wall
omics, and whether it is minority or poor or untrained or
we are isolating these people from everything this country
or, and we are isolating them in our older cities, three of which
ent. And until we can find a method to make these communities
le places to live, we are going to have serious problems in this
.
one of the amazing things, as a resident of suburbia myself,
having lived in Washington for 6 years, I cannot really see
nyone likes suburbia. The city has everything to offer. It has
ing to offer closeby. A city like Washington is a joy to live in,
we have isolated and let our cities fall apart. And I appreciate
forts in trying to do something about it. And speak to your
next term and come over to the Housing Committee.
Burke. Well, I am really doing that because I am on the HUD
riations Subcommittee, so I just try to follow up on what you

Ashley. Mr. Fauntroy.
Fauntroy. Mr. Chairman, I, too, want to commend our dis-
hed colleague for her leadership over the years in this area
this critical point in the Nation's struggle to revitalize our
s cities, for giving us such a persuasive and perceptive analysis
ontinued problems we experience and of the value of the estab-
t of this Commission to see if we cannot better coordinate and
rate our efforts in stablizing our neighborhoods and improving
ality of life for all of our people in them.
ply want to commend her and say that we will do all that we
ee that this legislation becomes law and that the Commission
ns in a fashion so that we can address effectively the problems
e identified.
k you.
Ashley. Mrs. Boggs.
Boggs. Thank you, Mr. Chairman.
k you, Mrs. Burke, very much for your forceful testimony
your deep interest in and your knowledge of these programs.
evident not only because of your seat on the HUD Appropria-
bcommittee from which you have been able to exercise diligent
nt, but also in your true personal knowledge of the neighbor-
nd their problems.
mend you, especially, for saying we have to keep the neighbor-
iverse, and I think this is what this committee has tried to say

in the community development block grant program, that we wanted social, economic, health, and educational advantages that would keep the neighborhoods so alive that we would not see massive exodus, particularly by the young people, and so that it would also be attractive enough to have them come back into the neighborhoods to help to revitalize them; where good health care, where some expression of the arts and humanities as a neighborhood, a place to go and to express this, of good economic opportunities, good educational opportunities were all a part of the neighborhood made up of all sorts of people, all ethnic differences, all racial differences, all age differences.

And I think this is what a very effective mayor of my city, who is not running for reelection but who has been a great spokesman for the urban areas of this country, has recognized. And I was particularly interested in the part of your testimony directed toward housing laws and regulations that are not really being followed. I think the Commission would have a great deal to do in this regard as well as in trying to coordinate all of the programs directed toward neighborhoods.

Thank you so much.

Mr. **Ashley**. Mr. LaFalce.

Mr. **LaFalce**. I want to thank Mrs. Burke for her very fine testimony.

Mr. **Ashley**. Mr. Tsongas.

Mr. **Tsongas**. Thank you, Mr. Chairman.

I want to give my commendation, as well. First, I live in an older city in Massachusetts that has declined for years and years and years and years. There are two problems that we have been involved in, in trying to rehabilitate the city, and our use of community block grant moneys has been excellent in beginning the process of the multiple use of block grant moneys for neighborhoods and revitalization.

We have got two problems. One is that the minds of the people in the neighborhoods are generally negative. They want to get out of there. And it is really a difficult process of convincing them there is something attractive about the inner city. There is something to its soul or its identity that is more amenable to a lifestyle than an identity-less suburbia. Convincing people in the inner city, it is true is very difficult.

Second is the mindset of the outsiders. There are parts of this country where—like the suburban parts of Connecticut or Massachusetts or the "Sun Belt" where things are going very well, thank you, and they don't really care about those parts of the country that are deteriorating, somehow as if we are not all part of the same country. As long as we are doing well, why worry about what is happening to New York City or Lowell or some of the other cities. And that just has to be turned around, because beyond the fact that it is selfish, it is going to affect everybody in the long term.

The problem is that private capital—and we are supposed to be a capitalistic society—is not doing its job. In my own city we have set up a development corporation using private capital, and it is like pulling teeth to get the money invested. There is no initiative from the private sector. And the fact of the matter is that despite the rhetoric of this election, the Government is going to have to do it, because

te investments will not go into those areas because of the high
And the issue is not social responsibility; the issue is the risk
at capital. They are not going to go in. The only one left to do
he Government.

re is the Congress today, this afternoon, going to vote on the
selot amendment to balance the budget. That is the biggest prior-
his country has, given the deterioration of various parts of our
on. And it is unfortunate that we spend the time we do looking
at kind of a problem as opposed to really doing something about
parts of our country which need help desperately.

d I think you are right; I think time is running out. If we do
espond to that in the near term, I think we are going to pay for
rly as time goes on.

ank you very much.

s. BURKE. May I just address one point you made. We have seen
ples of neighborhood restoration. The only thing is, we have
ys seen them change to the affluent, and I would just like you to
about where you live and I would like you to think about Wash-
n. What has happened in Washington is that you took the most
l neighborhood and you made it Capitol Hill where if you get
se for $100,000 you are very pleased. You go into Los Angeles
they took the most miserable place and made it a Bunker Hill
r, because there was an investment to take advantage of all of
areas. Or Watergate. The land where Watergate now stands
ago was Foggy Bottom, which was probably the most miserable
o in Washington. We have seen it turn around to the affluent
we just move out a large group of people and put up a desirable
ing out of their financial reach. The goal we have never accom-
ed is to keep the same people there. And that, to me, is really the
enge that faces us. We are trying to apply a model that we know
s, but we have never made it fully workable.

d here, of course, the phenomenon we are seeing is that every
city but Washington is losing population. Here there is such
d for housing that we have seen the affluent replace the poor in
areas.

I don't think there is any question that you can do it. You can
people back to the city because the city is desirable. It is con-
nt. It costs less money. And if you have a fuel crisis and you get
body upset about the fact that they are not going to have enough
r it is going to cost too much, they will be delighted to come

r challenge is, how do you keep that same economic base? I think
nly way you can do that is to have a comprehensive plan.

TSONGAS. The challenge is economic; it is not social. The fact is
he poor people in the examples you used have just been pushed
er out of sight, but they still exist. Poor people don't go away.
t is economic—and the issue is economic.

ere is the difference going to come from? It has to come from
overnment. It is not going to come——

s. BURKE. I think the impetus has to come from the Government,
apitol Hill is not necessarily an example of government partici-
n. Capitol Hill is an example of individuals and private enter-

prise building on a neighborhood concept, but at the same time pushing the original residents out. And it is a growing thing, because it keeps pushing further and further out in the whole redevelopment of that neighborhood.

Mr. TSONGAS. The redevelopment is not taking place, to a large extent, by the people who lived there previously.

Mrs. BURKE. That is right. This is exactly why I think it is necessary for us to approach it the way this legislation does.

Mr. TSONGAS. Thank you.

Mrs. BURKE. Thank you very much.

Mr. ASHLEY. Mrs. Burke, thank you very much indeed for an excellent statement and excellent testimony.

Statements on the National Neighborhood Policy Act have been received from Congressman John M. Murphy from the State of New York and Congressman Les AuCoin from the State of Oregon. I might mention Mr. AuCoin, a member of our committee, is deeply interested in this legislation. I will insert the statements in the record at this point.

STATEMENT OF HON. JOHN M. MURPHY, A REPRESENTATIVE IN CONGRESS FROM TH STATE OF NEW YORK ON THE NATIONAL NEIGHBORHOOD POLICY ACT

Chairman Ashley, members of the subcommittee, ladies and gentlemen: I am here today to indicate my full and wholehearted support for the legislation this subcommittee is currently considering, The National Neighborhood Policy Act This bill, which has been successfully reported from the Senate Banking Currency and Housing Committee, would establish a national commission on neighborhoods to study the impact of federal laws and programs on the neighborhoods of this nation. The commission will make recommendations as to how the Federa Government can alter the focus of these programs in order to encourage th preservation of neighborhoods.

The fact that preservation has become a stepchild of federal policy becam evident during hearings conducted by the Congress on the practice of "red lining," the unjustified denial of mortgage credit to older urban neighborhoods It was found during these hearings, conducted in May of 1975, that there was general lack of programs, regulations and statutes which encouraged the preservation of established neighborhoods. The problem of red-lining has been addressed by the home mortgage disclosure act which was signed into law January 2, 1976. We can now, through this bill, act to correct our past oversight an work for the preservation of one of our Nation's national resources, th neighborhood.

The need for this type of legislation has been recognized in the platform of th Democratic Party which states in part, "we call for greatly increased emphasi on the rehabilitation of existing housing to rebuild our neighborhoods—a priority which is undercut by the current pattern of Federal housing money whic includes actual prohibitions to the use of funds for rehabilitation."

The Commission established by this act while evaluating the impact of Federa laws and policies, will concentrate its recommendations in eight areas: method to stimulate reinvestment in existing city neighborhoods; methods to promot greater community involvement in the governing process; policies to insure th integrity of socially and economically diverse neighborhoods; action to preven destructive practices such as red-lining, resegregation and speculation in revivin neighborhoods, and to promote increased urban homeownership; encouragemen of better maintenance and management of exising rental units; policies whic will make the utilization of existing structures at least as attractive from a ta standpoint as their demolition and development of new structures; modification in zoning and tax policies at the local level; and the realignment of presen housing and community development plans.

Although the House and Senate versions of this bill are substantially the same there are two major differences which I believe make this bill, of which I an a cosponsor, the better. The first of these mandates that 50 neighborhoods, rep enting the ethnic, racial and regional diversity of the nation be evaluated to the nature of present neighborhood revitalization programs and the impact existing law on these areas. By setting a specific number of neighborhoods undergo an in-depth evaluation, we can assure the validity of the recommen- ions the commission will make and also that the funds the commission may ard as grants or contracts to carry out its research will be used most ctively.

do fear that we may have unintentionally limited the workings of the com- sion through that part of section 6 subsection (e) which states that "the nmission shall restrict its hearings to those neighborhoods which are being luated as provided for in section 6(d) of this act." This precludes the com- sion from conducting hearings in a 51st, 52nd, or 53d neighborhood, even if ormation required for the completeness of its report could be obtained through se meetings. If a restriction must be made, perhaps subsection (d) could be ended to read, "the commission may award contracts and grants to no more n 50 neighborhoods representing the ethnic, racial and regional diversity of Nation, for the purposes of evaluating existing neighborhood revitalization grams and the impact of existing laws on neighborhoods." I believe this way commission will maintain control over the site of hearings it deems useful, will be prevented from spreading its funds so thin as to make them ineffec- e. I would urge the subcommittee to study this problem when further con- ering the bill.

'he second major difference between the House and Senate bills is the amount money the commission would be entitled to during its 2-year tenure. The ate bill provides $2 million; the House bill $5 million. I believe the House re is the more reasonable when considering the massive undertaking the nmission will devote itself to for the next 2 years.

ly support for this legislation stems from my experience in my congressional trict in New York City where a great many of the commercial and public ictures and over half of the housing units were built before 1939.

'he city has been since the 1800's the Nation's gateway; providing millions of nigrants their first look at their new country. Many of these people chose to le in the city, banding together with others of a similar background into ghborhoods which began to take on many of the characteristics of the home- l they had left behind. Areas such as Little Italy developed; in this case in eighborhood left behind by the further migration of Irish families. Chinatown k shape at the turn of the century when, in the period between 1880–1910, size of the Chinese population grew from 700 to almost 15,000. Today approx- tely 70,000 Chinese-Americans reside in a Chinatown which is much the same t was in those early days.

oth of these neighborhoods, as well as others like Greenwich Village, the very and the lower eastside, are as vital today as they ever were. Community anizations such as the Little Italy Restoration Association (LIRA), the very Residents Committee, the United Jewish Council of the lower eastside the Chinatown Improvements Committee, are hard at work in their quest keep their neighborhoods healthy and strong. Much of the efforts of these ups goes into preserving and renovating the existing resources they have hin their communities. As an example, LIRA, in cooperation with the city New York Planning Department, has developed a comprehensive plan for the l preservation and restoration of the 125 acres which compose Little Italy. 'he city of New York has further recognized the need for preservation and formed the Mayor's Office of Lower Manhattan Development, designed to ulate the restoration and utilization of existing structures for their historic vell as functional value.

lany times organizations such as LIRA, and I am sure others like them ss the country, are faced with an unreasonably hard fight to win support their preservation proposals. Many lending institutions seem to have a ght-shiny-new" complex; if an investment opportunity fits these three eria it is worthwhile. If not, it's not worth the attention. The Federal Govern- t through the work of the Commission must promote the idea that restora- , preservation and renovation are not four letter words.

y passage of the National Neighborhood Policy Act we will be making a de- e step in this direction; we will be recognizing our neighborhoods as a na- al resource to be preserved and cherished rather than torn down and for- en. While the enactment of this Act is an important first step, it is only . We cannot sit back and say the Federal Government is now a friend of neighborhood preservation. We cannot afford to wait 2 years for the report o the commission to begin the needed redirection of Government programs an policies. The process must start right now and become a continuing factor i all of our efforts.

I urge the subcommittee to give its most favourable consideration to thi legislation.

Thank you.

[From the Congressional Record, September 8, 1976]

Statement by Congressman Les AuCoin on the National Neighborhood Policy Act

Our cities and towns are currently faced with problems that seem on th verge of overwhelming them. The rate and degree of decline have led t predictions of the demise of some of our greatest metropolises.

Belatedly, Congress has become aware of the impact of these problems no just on individual cities but on our entire society as well. It is beginning to mov to reverse this trend.

In my judgment, many of the problems confronting our cities have take root as a result of the breakdown of our neighborhoods—the basic buildin blocks of urban society. Who among us cannot recall the neighborhoods in whic we grew up? We did not grow up in Los Angeles, or in St. Louis, or in Boston We grew up in one of the many neighborhoods that make up these towns an hundreds just like them across our country. Perhaps these neighborhoods consisted of no more than a few square blocks, but the impact they had on ou lives cannot be measured. They provided the environment in which our characters were developed, in which our dreams and ambitions were nurtured, an in which lasting friendships were made. This, not the city, was our "home."

In recent years, however, we have seen many neighborhoods lose the sens of identity that distinguished and sustained them. We have seen neighborhood in which only fear was nurtured and in which people are suspicious of thei neighbors. We have witnessed an exodus from our cities to the suburbs nearl as great as the migration from rural areas to the cities of a few generations ag The resulting social and economic impacts are only too apparent.

The Federal Government has a responsibility to join with State and loca governments to reverse the decline of our cities. Indeed, many of its policie and programs may have unwittingly contributed to their decline.

In response to this, I have introduced legislation, H.R. 15454, calling for th establishment of a National Commission on Neighborhoods to investigate th factors contributing to their decline and to make recommendations for reversin this trend. This legislation differs from similar bills in two important respects First, the life of the Commission is set at 16 months rather than 2 years an second, the Commission's work is to be divided between a preliminary 8-mont study of factors contributing to the decline of our neighborhoods and a concluding 8-month period of analysis of the results of this study leading to concrete, substantive recommendations to Congress.

I believe these changes are important for two reasons. First, there is alread a considerable amount of material available from various, responsible source concerning the problems of our communities. I believe the Commission shoul utilize this existing work to the greatest extent possible in order to avoi duplication. The 2-year study envisioned in related bills precludes the use o the Commission's work during the 95th Congress, when important decisions wil be made concerning the future of programs begun under the Housing and Community Development Act of 1974. To proceed with congressional action in thes areas without the benefits of the Commission's work not only robs us of valuabl input, it may even contradict their findings.

Second, to present Congress with just another study containing standar recommendations is simply not enough. For Congress to act wisely it need facts on a variety of options. My bill will provide us with those facts.

It is my hope that Congress will act upon this legislation before adjournmen The Senate has already passed a version of this bill, and the Housing an Community Development Subcommittee of the House Banking, Currency an Housing Committee is now holding hearings on this subject. I am extremel pleased by the growing support for this legislation and I look forward to quic passage.

Mr. Ashley. Our next witness is Robert S. Warwick, Acting Direc- of the Office of Housing and Urban Affairs for the Federal Home an Bank Board.

Ve are pleased to have you with us this morning, and I understand a have a statement which will, without objection, be filed at this ne. And if you will be good enough to sum up your testimony as efly as possible, we simply must get on with our other panelists in rt order.

ATEMENT OF ROBERT S. WARWICK, ACTING DIRECTOR, OFFICE OF HOUSING AND URBAN AFFAIRS, FEDERAL HOME LOAN BANK BOARD

Mr. Warwick. My name is Robert S. Warwick. I am Acting Direc- of the Office of Housing and Urban Affairs at the Federal Home an Bank Board.

Acting Chairman Garth Marston regrets he is unable to attend lay's hearing, but he has asked me to bring a letter from him, which vould request be included in the record.

Mr. Ashley. That will be submitted in the record at this time.

[The letter referred to by Mr. Warwick from Acting Chairman irston follows:]

Federal Home Loan Bank Board,
Washington, D.C., September 9, 1976.

n. Thomas L. Ashley,
airman, Subcommittee on Housing and Community Development of the Committee on Banking, Currency and Housing, House of Representatives, Washington, D.C.

Dear Mr. Chairman: A longstanding commitment precludes my appearing ore your Subcommittee to testify on H.R. 14756, which proposes a national amission to focus on the revitalization of neighborhoods. I am pleased, howr, that Bob Warwick, Acting Director of our Office of Housing and Urban airs, and Bill Whiteside, Staff Director of the Urban Reinvestment Task ce, will have the opportunity to share with you our views and experiences in s important area. Each of these men has been deeply involved in working solutions and their efforts have been essential to whatever success we have l.

The Board has recognized the importance of neighborhood preservation for ny years and pioneered in the development and support of the Neighborhood using Services program, a neighborhood preservation strategy which deeply olves the lenders which the Board regulates. The savings and loan industry ognizes the importance of healthy neighborhoods, and has historically proed the major source of finance for homeowners in neighborhoods.

Ve thus welcome constructive efforts which will promote the preservation of Nation's neighborhoods. However, neighborhood preservation is a complex l delicate undertaking. We believe it is basically a local affair and we urge it Federal involvement remain that of a catalyst. We believe a major lesson of NHS program is that the Federal role is to facilitate and encourage the elopment of local working partnerships of neighborhood residents, local govment and lenders who can then deal with this essentially local concern in ys appropriate to the local setting.

our bill, and the identical bills introduced by Representatives Brown, Burke, Falce, and Murphy, reflect an appreciation of the complexities involved in ieving the goal of healthy, self-renewing neighborhoods, and I believe the ional commission you propose can make a significant contribution.

Sincerely,

Garth Marston,
Acting Chairman.

Mr. Warwick. I am appearing on behalf of the Board, which welcomes the opportunity to present its views on this legislation an to——

Mr. Ashley. We do want you to capsulize this. The full statemen will appear in the record.

Mr. Warwick [continuing]. The Board has a longstanding commitment to the revitalization of our Nation's cities. And out of thi commitment, I think we have drawn several important lessons.

First, older residential neighborhoods are often best served by restoring and preserving them, and that many neighborhoods though to be declining actually contain substantial amounts of housing, whos abandonment would be a real waste of valuable resources.

Second, we have learned that the causes of neighborhood declin are many and diverse and that solutions for decline require a combination of strategies, rather than a single approach.

Third, we have confirmed the fact, I think, that healthy neighborhoods are very complex organisms and that we must exercise spe care to insure that our efforts to save them do not, in fact, destro them. We at the Board have been encouraging constructive efforts t preserve urban neighborhoods, and, in particular, we have pioneere in supporting the neighborhood housing services program, which is carefully conceived neighborhood strategy designed to involve all o the essential participants in the revitalization and preservation o neighborhoods.

Our support for this program began 5 years ago, when we undertook to bring to other cities a program that had been initiated in th city of Pittsburgh by financial leaders, private citizens and loca government officials. In 1974, these efforts were expanded with th formation of an Urban Reinvestment Task Force and with the receip of demonstration grant funds from HUD.

Board members and key staff officials have taken a deep persona interest in the program, as have the presidents of our 12 Federal hom loan banks. I think the degree of this commitment can best be indicated by the recent creation of an Office of Neighborhood Reinvestmen of our Federal home loan banks, designed to provide administrativ support for the activities of the Urban Reinvestment Task Force.

The progress we have made with the task force has led people t urge that these efforts be expanded on a dramatic scale. We welcom these expressions of support, but our experience has taught us tha each increase in our efforts must be thoughtfully planned on a manageable scale if we are to continue the quality of work which so man have thus far found so encouraging.

As Secretary Hills explained earlier, we are currently workin with HUD to effect a substantial expansion of the activities of th task force. We believe this level of expansion will best serve the long term interests of neighborhoods around the country.

From our experience with the task force, we have learned a coupl of things. We think it essential that urban revitalization and preservation be local in nature if it is to succeed. In the NHS program, the tas force role has been to encourage and facilitate the formation of loca partnerships which include neighborhood residents and local government officials, as well as representatives of private financia institutions.

'e have found that the process of encouraging local working part-
hips is a very critical aspect of our work, and it is also a very sensi-
matter, which we have to undertake with a great deal of care if
re to avoid jeopardizing the very local cooperation we are seeking.
he Board supports the enactment of H.R. 14756, because we be-
that the findings and recommendations of the Commission pro-
d here can make a significant contribution to the preservation and
ration of our older urban neighborhoods. We believe the act is
ence of an increased commitment to seek improved methods of
ervation and restoration, rather than relying solely on subsidy or
rance programs.

'e note, in particular, several aspects that we believe are particu-
commendable.

irst, we believe the broad mandate in the act is implicit recogni-
of the multitude of causes and solutions we will be required to
g to bear to halt decline.

econd, we approve of its emphasis on evaluating existing policies,
ing that such an approach can spot both strengths and weaknesses.

hird, we are pleased with the broad composition of the proposed
mission. We would, however, suggest that membership include
esentatives of State and Federal agencies having responsibilities
he area of urban preservation. Programs sponsored by these en-
s have had a significant impact on urban neighborhoods in the
, and, thus, we think their representation on the Commission
ld be quite appropriate.

'e think this for two reasons. One, the Commission's critical evalu-
n of existing programs may well result in the implementation of
rovements, even prior to the submission of any final report, if
cy representatives are participating. Two, we also feel that pro-
ms presently in the planning stage could be modified as a result of
erience gained by membership on the Commission.

closing, we would like to thank the committee for the opportunity
ubmit our views on this legislation. We believe the National Com-
sion on Neighborhoods can make a significant contribution, and we
be pleased to share with the Commission the lessons we have
ned from our Urban Reinvestment Task Force.

note that William Whiteside, the Director of our Office of Neigh-
ood Reinvestment and the head of the task force, will appear be-
you shortly, and I am sure you will find his description of their
k most interesting.

would be pleased to respond to any questions you might have at
time.

The prepared statement of Mr. Warwick follows:]

Statement of

Robert S. Warwick
Acting Director
Office of Housing and Urban Affairs

on behalf of the

FEDERAL HOME LOAN BANK BOARD

before the

Subcommittee on Housing and Community Development

of the

Committee on Banking, Currency
and Housing

United States House of Representatives

September 9, 1976

Mr. Chairman and Members of the Subcommittee, my name is Robert S. Warwick and I am Acting Director of the Office of Housing and Urban Affairs at the Federal Home Loan Bank Board. Acting Chairman Marston regrets that he is unable to attend today's hearing on H. R. 14756, the National Neighborhood Policy Act, which would establish a National Commission on Neighborhoods. I am appearing this morning on behalf of the Board, which welcomes the opportunity to present its views on this legislation and to acquaint the Members of the Subcommittee with our activities in this area.

The Board has a strong and long-standing commitment to the revitalization of this Nation's cities. We have long been aware of the problems confronting our urban neighborhoods and of the problems confronting lenders seeking to serve those neighborhoods. We have encouraged positive efforts to solve these problems, and these efforts have helped us to recognize several important factors. First, an older residential neighborhood is often best served by the restoration and preservation of its existing housing stock. Many neighborhoods presently denominated as "declining" contain sound housing whose abandonment constitutes a waste of valuable resources we can ill-afford.

Second, the causes of neighborhood decline are many and diverse. Thus a solution requires a combination of strategies, each tailored to particular aspects of the total problem.

Third, the Board's experience has confirmed the fact that healthy neighborhoods are complex organisms composed of many elements. Special care must be taken to insure that efforts to save do not, in the end, destroy.

The Board itself has been active in encouraging constru efforts to preserve urban neighborhoods. We have pioneered in the development and support of the Neighborhood Housing Services program, a carefully conceived neighborhood preservation strategy which involves many of the essential participants in the revitalization and preservation of existing urban neighborhoods. Our support for NHS began on an experimental basis five years ago when the Board first undertook to bring to other cities a program initiated by financial leaders, private citizens, and local government officials in Pittsburgh, Pennsylvania.

In 1974, these initial efforts were expanded by the formation of the Urban Reinvestment Task Force and the receipt of demonstration grant assistance from the Department of Housing and Urban Development. Board Members and key staff officials have taken a deep personal interest in this program, as have the Presidents of our regional Federal Home Loan Banks. The degree of our commitment to this effort is underscored, we believe, by the creation last December of an Office of Neighborhood Reinvestment of the Federal Home Loan Banks to provide core administrative support for the ongoing activities of the Urban Reinvestment Task Force.

The progress we have made with the Urban Reinvestment Task Force has led many to urge that these efforts be expanded on a dramatic scale. We have welcomed these expressions of confidence and share the belief that the activities of the Task Force must be expanded. However, our experience has taught us that each increase in our efforts must be thoughtfully planned on a manageable scale if we are to continue the quality of work which so many have thus far found encouraging and useful. We are currently working with the Department of Housing and Urban Development to effect a substantial expansion in the activities of the Task Force, and we believe this expansion effort will best serve the long-term interests of neighborhoods throughout the country.

From our experience with the Urban Reinvestment Task Force, we have learned that neighborhood preservation is a complex and delicate undertaking. We believe it must be essentially a local effort if it is to succeed, as we have come to recognize that involvement by the Federal Government is frequently most effective when the Government serves as a catalyst for local participants. In the NHS program, the Task Force role has been to encourage and facilitate the development of local working partnerships of neighborhood residents, local government officials, and private lenders. This balanced partnership then deals with local neighborhood preservation in ways appropriate to each local setting. We have also found that the process of encouraging local working partnerships is a critical and sensitive matter which must be undertaken with great care if we are to avoid jeopardizing the very cooperation we are seeking.

The Board supports enactment of H.R. 14756, the National Neighborhood Policy Act, because we believe the Commission's findings and recommendations can make a significant contribution to the preservation and restoration of older residential neighborhoods. Further, the Board applauds this Act as evidence of an increased commitment to seek improved methods of preservation and restoration rather than to rely solely on massive subsidy programs.

In supporting this Act, the Board believes it appropriate to call attention to certain salutary features of the legislation. First, the broad mandate granted the National Commission on Neighborhoods is implicit recognition of the multitude of causes and solutions that will be required if the process of neighborhood decline is to be reversed.

Second, the Board commends the Act's emphasis on evaluation of existing policies. Analysis of the respective strengths and weaknesses of existing policies may permit the elimination of duplicative and non-productive effort and concentration on heretofore unaddressed areas of of concern.

Third, the Board is pleased with a broad composition for the proposed Commission. Such diversity will enable the Commission to view both problems and solutions from a broad and knowledgeable perspective. We would, however, suggest that the membership include representatives of State and Federal agencies having responsibilities in the area. Programs sponsored and administered by these entities have had significant impact on urban neighborhoods in the past and thus their representation is seemingly appropriate. Moreover, inclusion of such representatives may have additional benefits. First, the Commission's critical evaluation of on-going programs may result in the implementation of improvements even prior to the Commission's final report. Second, programs presently in the planning stage could be modified as a result of the experience gained from membership on the Commission.

In closing, we would like to thank the Subcommittee for this opportunity to share with you our views on H.R. 14756. We believe the National Commission on Neighborhoods proposed by this bill can make a significant contribution, and we would be pleased to share the lessons we have learned from our several years of experience with the Urban Reinvestment Task Force.

William A. Whiteside, Director of the Office of Neighborhood Reinvestment of the Federal Home Loan Banks and Staff Director of the Task Force, is also scheduled to appear before your Subcommittee. I am sure you will find his description of the work of the Task Force most interesting and informative.

I would be pleased to respond to any questions you may have.

Mr. Ashley. Thank you, Mr. Warwick.

I want you to take back to the Board my congratulations and that of the subcommittee for the pioneering work that has been done by the Board. There is no question about that, and it is a kind of cornerstone that we can build upon that experience that is just enormously valuable.

Mr. Warwick. Thank you.

Mr. Ashley. As one of the sponsors of the legislation we are considering this morning, I am pleased to know of the Board's support for the proposed bill, because, having been on the firing line in more than a score of cities, having established on a demonstration basis a number of programs in these cities, the fact that the Board does feel this legislation can be valuable is very significant to us.

Are there any questions?

Mr. Tsongas?

Mr. Tsongas. Do you have a copy of the report of what your Board has done that you could send to us?

Mr. Warwick. I would be glad to submit a short statement on it.

Mr. Tsongas. Could you send it to my office, please?

Mr. Warick. Yes. Fine.

Mr. Ashley. Thank you, sir, very much indeed for your testimony. And, again, let me express the gratitude of this committee.

Our next witnesses comprise a panel, including Msgr. Geno C. Baroni, president of the National Center for Urban Ethnic Affairs; William Whiteside, Staff Director of Urban Reinvestment Task Force. Dr. Arthur J. Naparstek, director of the University of Southern California's Washington Public Affairs Center; and Mrs. Gale Cincotta, chairperson for the National Peoples Action, Chicago, Illinois.

If you will be kind enough to come forward, we will begin with this panel.

We welcome all of you to the hearings this morning. I must say that each of you is well known to the subcommittee. I have had the pleasure of greeting in my home community of Toledo, Monsignor Baroni. I know that others of you have been there.

Monsignor Baroni, if you will be kind enough to lead off, we will appreciate it, sir.

You have a statement. If you are going to follow the statement, which is relatively short, you may do so. Otherwise, it will be presented for inclusion in the record.

STATEMENT OF MSGR. GENO C. BARONI, PRESIDENT, NATIONAL CENTER FOR URBAN ETHNIC AFFAIRS

Monsignor Baroni. Thank you, Mr. Chairman, and members of the subcommittee.

I have submitted some material to you for the record. I would like to just comment on that material at this time.

My name is Monsignor Geno C. Baroni, and, as you mentioned, I am president of the National Center for Urban Ethnic Affairs. I am happy to be here for the first time, Mr. Chairman, before your new leadership. In the past, I have been here before Mr. Barrett, Mr. St

Germain and Mrs. Sullivan and many, many other committees. And I see my friend, Congressman Fauntroy, over there.

I was at one time director of an urban rehabilitation program here in the District, to try to do 235 and 236. I also put together—here, in a bill—with Mrs. Sullivan the first 221(h) houses, also, with Senator Percy. So I have had some long experience in inner-city neighborhoods and in working-class neighborhoods.

A number of people have commented—Congressman McKinney and Mrs. Burke, and other Congressmen have mentioned the plight of our cities. I am here to say and to try to reemphasize two or three points to this subcommittee and to support this testimony.

So if I may, I will start, Mr. Chairman, by mentioning Toledo, which is, as you mentioned, your hometown. There are two programs in Toledo, in River East and in the Birmingham area, which are under the process of rehabilitation, revitalization.

In the Birmingham area, it is a very mixed, black and white, community. And that community was dying. That community was having its own cancer, its own blight. And the issue is that if neighborhoods die—because that is where people live, in neighborhoods—if neighborhoods die, cities die.

Someone here was trying to quote me. Our cities in the North are going to become black, brown, and broke, and we are going to have a new American apartheid, abandoned cities; abandoned cities, surrounded, perhaps, by increasingly hostile suburbs.

But our cities are too important. That is where people live. That is where their emotional investment is, their cultural investment, their economic investment. And you just cannot wipe them out by freeways; you cannot wipe them out by urban renewal. There are too many things there. People have roots.

One of the most important challenges we face in our northern, urban cities is, first of all, to recognize that we are in a pluralistic society and to recognize that pluralism. And how do we do urban revitalization, neighborhood revitalization in a pluralistic, urban society?

Our experience comes from working in 42 different cities, starting from Baltimore to Boston to St. Paul to St. Louis, 42 cities in that kind of geographic range. Our experience has been that we have had inner cities that are dying and surrounding neighborhoods that are dying; and if these neighborhoods continue to die, then, our cities will end up being bankrupt and broke.

Now, this bill must be seen in connection with last year's bill, the Home Mortgage Disclosure Act. That act showed us that cities are being redlined, and sometimes millions of dollars—even in the District of Columbia and other cities—millions of dollars of people's money are placed in local financial institutions, and then those people cannot get the money back. They are being disinvested. Then, when you want to borrow the money, you are redlined. So that bill needs to be implemented. That bill came, like this bill, from the community.

One of the things that I think is very important to mention here is the evolution of the neighborhood emphasis on urban revitalization. It did not come from Congress at first. It did not come from the academics. It did not come from HUD. It did not come from any part of government. Last year's Home Mortgage Disclosure Act came from community people and neighborhood people.

In 1972, Mrs. Cincotta, sitting over there, had a meeting in Chicago of 1,600 people, black, Hispanic, white, ethnic—from 65, 75 different cities. And they found out they all had the same problem. They were being disinvested; there were disincentives. There were obstacles. They were being told their neighborhoods were dying; they were being told they live in changing neighborhoods. They were being told they could move to the suburbs to get a better deal.

They had trouble with insurance. They had trouble with FHA. They had all kinds of problems. And they also had psychological disincentives. They had commercial disincentives—you know, a drugstore closed down; the little market closed down. Why should I fix up my house three blocks away, if he closed up his store? All of these kinds of disincentives and obstacles added to the problem.

So the home mortgage disclosure bill came out of the neighborhood movement in this country, and it came here. That is why this bill, this neighborhood Commission, then, has to be seen as another part of that evolutionary process, that involves neighborhoods and the people who live in them. It is the people who have raised this issue and brought it here.

There have been a lot of good remarks made here by Congressmen McKinney and and Fauntroy, and Congresswomen Burke and Boggs. Everybody has made good remarks about that.

I would like to say that we have spent millions of dollars, just our center, trying to research this issue. And we have found a number of things.

We have one little study here, "Who is Left in the Neighborhood?" We found out that people want to be, want to live in neighborhoods, and people want to work together. That study examined 87 neighborhoods in 18 metropolitan areas.

We have another study here, this one on "Urban Disinvestment, New Implications for Community Organizations," done by Dr. Arthur J. Naparstek and Gale Cincotta. That was based on the reality of redlining and disinvestment.

There has been another study done, a thicker one, "Neighborhood Decentralization: An Option for Urban Policy," reviewing Federal programs and how Federal programs have actually helped to destroy neighborhoods and destroy cities.

Then we have another document for small businessmen. These are actual examples. This is not academic or theoretical research; these are actual places, cities, neighborhoods, neighborhood economic revitalization, that we have been trying to get OMBE to do in the Department of Commerce.

Then there is another study, by Dr. Cricus, "Neighborhood Revitalization, a Case Study of Three Cities."

So I am saying there are studies, and there are examples being done. If I wanted to add something to your bill, I would reemphasize something that has been mentioned here, which is more input from neighborhood people.

One of the problems I have with the President's Commission is that there are no neighborhood people on that Commission.

Someone asked a question about neighborhood review. That ought to be underscored on your bill, the question of neighborhood review and neighborhood input.

I want to make two points. One point, again, is that the evolution of this bill came from people in communities who are desperate, who found out they had a local issue, and they have made it a national issue. And now they want to make it a part of policy. There is no urban policy, and if we want to start an urban policy, you have to start with neighborhoods in revitalizing our cities. Otherwise, the cancer of the inner city and the cancer of our society will give us broke and abandoned cities.

So I wanted to say that even the President's Commission—and I must say this for the record—the President's Commission was set up because 80 neighborhood people met at the White House on May 5, 1976, and the President said to them, "What do you want us to do?"

And they said, "We want you to talk about revitalization of our neighborhoods." And so he set up the Commission on June 30, 1976.

I also want to point out that you have the public sector and you have the private sector, but there is a third sector that needs strength, that needs help, and that is the neighborhood and the community sector. People at the neighborhood level do need technical assistance to deal with their revenue-sharing money. They do need technical assistance so that they can go down and say, "OK, Toledo has $14.9 million in revenue sharing." Neighborhood people have to deal with city hall and government regulations.

So neighborhood community groups that we have helped, like in Toledo, the River East—Mr. Chairman, got $2.5 million out of revenue sharing, but they had technical assistance. They studied the guidelines. They went to the mayor; they went to the other communities. They said, "We will support you; you support us," and they became part of the process. We are now talking about building democracy you know; we are talking about building democracy.

And the Congressman is laughing, because I went after him, too.

Mr. ASHLEY. Let me interrupt to say that, indeed, what you say is true, and there was a good deal of force and persuasion used by the excellent citizens of east Toledo, who, of course, are being sued by every other neighborhood in the city.

Monsignor BARONI. I think you have someone from Toledo, Mr. Palmer, who could probably talk about that, too.

The participatory politics is a very difficult thing.

Mr. ASHLEY. But less so for the people of east Toledo.

Go ahead, please.

Monsignor BARONI. I really wanted, then, just to summarize—in the Greek terminology, urbs, u-r-b-s—that was city, that was the geography, that was the place, but the civitas were all of those voluntary groups that made life livable in a city. And in our city, they are voting less and less. Be they political, be they government, be they church, be they labor, be they business, that civitas is falling apart at the neighborhood level.

Those voluntary kinds of associations that make like livable at the community level, that is what needs strengthening in our society, so they can deal with that enormous public and private sector. Not to throw garbage on the mayor's lawn, but to become partners.

So I am arguing for community partnership to deal with the public and private sectors, if we are going to really build democracy and revitalize cities. I am talking about an important step.

This bill—it is late; but this bill is important. It is a policy indication that we must revitalize our cities, we must involve the people, we must involve the neighborhood people. And if the neighborhood people become believers in the revitalization of their cities, that the neighborhoods can be revitalized, we then perhaps can begin to revitalize our cities.

I think I will stop there, Congressman.

Mr. **Ashley**. Excellent.

Thank you very much.

I think, although there would be any number of questions of Monsignor Baroni, that we will go through the panel and then question at that juncture.

[The prepared statement of Monsignor Baroni; an article from Response magazine of July 1976, entitled "Strategies and Programs for a Neighborhood Urban Policy"; a study for the Office of Minority Business Enterprise, Department of Commerce entitled "Who's Left in the Neighborhood?"; a document entitled "Urban Disinvestment: New Implications for Community Organization, Research and Public Policy" by Arthur J. Naparstek and Gale Cincotta, follow:]

PREPARED STATEMENT OF MONSIGNOR GENO C. BARONI, PRESIDENT, THE NATIONAL CENTER FOR URBAN ETHNIC AFFAIRS, WASHINGTON, D.C.

Mr. Chairman, members of the Committee, we are very pleased to have the opportunity to give this testimony.

It is critical to point out that when one talks of national urban policy in a pluralistic society one must begin with neighborhood policies. That the neighborhoods are the building blocks of a city has become something of a cliche, yet it must be remembered that the richness of any city is epitomized by healthy neighborhoods, a sense of place in which the human dimensions of family, friendship and tradition can be maximized. All too often we tend to think of cities and neighborhoods as collections of buildings rather than the very human systems of ethnic cohesiveness and cultural diversity they really are.

It is not an exaggeration to say that historically our cities have offered unequaled physical, social and cultural richness. Even today, despite the staggering difficulties under which they labor, the urban areas of our country retain the potential for offering that wealth and there is growing agreement that a major national effort is in order so that such potential may be restored and utilized.

Since its inception in 1970, the National Center for Urban Ethnic Affairs has worked on the premise that people live in neighborhoods, not cities. Such a perspective is coming into more common usage and signifies a major first step towards the revitalization of those communities.

In March of 1972, Black, Hispanic, and multi-ethnic groups from some fifty cities came together in Chicago for a National Housing Conference co-sponsored by the National Center and the National Training and Information Center. Participants in that conference began to discuss and understand how their neighborhoods were being exploited and destroyed by the concerted and individual actions of the lending, insurance, real estate industries and the Federal Housing Administration. Taking inspiration from the realization that the problems of individual neighborhoods were not isolated, but in fact represented part of a national problem, community leaders like Gale Cincotta and the National Training and Information Center began to do sophisticated local research to determine the lending practices of local institutions and the FHA. Simultaneously, Dr. Arthur Naparstek and the National Center for Urban Ethnic Affairs began to investigate potential national strategies for combating redlining and urban disinvestment in general. These individuals and many others across the country worked both separately and together to bring the matter of redlining to the attention of the public at all levels of government. One result of these activities was the National Home Mortgage Disclosure Act of 1975. In this way a local issue became a national policy issue.

This Act however, is still only a preliminary step, since all it does is establish a common and recognized data base in urban investment which must serve as the foundation for many other actions.

Much has been written and said about redlining and disinvestment over the past few months. Besides research and community development experience in forty-two cities, the National Center for Urban Ethnic Affairs has been involved in the development of the concept of an urban neighborhood policy. Because of this, we recognize that a national neighborhood commission would be a step in the right direction. We first put forth the notion of a National Commission on Neighborhoods in a paper on neighborhood decentralization which was presented to the National Urban Policy Roundtable in January of 1976. Our rationale for such a proposal is the one which must underlay this bill, namely that the problems of neighborhoods and cities are so complex that any simple solutions will become counter-productive. Instead, a comprehensive review of all neighborhood impacting planning, policies, programs and legislation at all levels of government be accomplished.

Unless the complicated interactions of public and private actions and policies for neighborhoods is considered, any future national neighborhood policy is doomed to the same types of failures exemplified by its predecessors.

More tools are needed if our neighborhoods are to have a chance, tools for national policymakers as well as tools for neighborhood residents. And this is the final point I would like to make, namely that we must recognize the seemingly simple fact that people make up the neighborhoods and that any governmental policies aimed at revitalizing neighborhoods must make that fact its cornerstone.

A major strength of this legislation, which our experience and research wholeheartedly support, is the fact that it requires community people as a significant part of the Commission's membership. I would urge you to ensure that this provision is fully implemented, for I see such inclusion of neighborhood people as a guarantee against any of the problems common to such commissions.

[Reprinted from Response magazine, July 1976]

STRATEGIES AND PROGRAMS FOR A NEIGHBORHOOD URBAN POLICY

Msgr. Geno Baroni, President, The National Center for Urban Ethnic Affairs, Washington, D.C.

Most of our public and private institutions as well as the urban policy of Federal, state and local governments have ignored the ethnic factor in urban American society. We cannot understand the urban crisis unless we understand the ethnic, racial and cultural diversity of the American people.

One of the challenges of our quest as Americans for self-definition is to recognize that our national self image as a melting pot is not an adequate frame-work to deal with our ethnic and racial diversity. We need a new rhetoric to begin the task of redefining ourselves as Americans. We are the most ethnically, racially, religiously, regionally diverse nation in the world.

We must somehow learn to live with our diversity and to recognize that our strength and unity will be bound in the legitimization of our ethnic and cultural pluralism.

What are the policies, strategies and programs of a neighborhood urban policy? We should begin by pointing out the disincentives and disinvestment attitudes, policies, and programs that have led to public and private urban disinvestment. Our programs and policies have served to discourage personal as well as public and private institutional reinvestment strategies in our urban neighborhoods.

Many scholars, policy analysts and others agree that the neighborhood is a neglected unit of American urban life. Residents in cities all over the country are now organizing to improve their neighborhoods. Strategies for neighborhood revitalization have many variations, and evolve from different ideological perspectives. However, one theme runs throughout every strategy—the desire to assist people to become more involved in the processes of governance and thus share in the control of their neighborhoods and their lives.

The primary focus of any decentralization strategy must be the city, for without a workable strategy on the local level, the best efforts of other governmental units will be fruitless. We should develop a two-phased neighborhood decentralization mode that would begin by combining political and administrative decentralization in a fashion that permits and encourages citizens' participation. It would have to recognize that each city is different and no one can prescribe a generic model. Nor can one prescribe the mechanics of developing linkages between neighborhoods, city and regional governmental units. Such a model should be considered a limited approach toward meeting the selected needs of a neighborhood.

There is a paucity of Federal legislation which legitimizes the neighborhood as a legal authority. A major problem in writing legislation has been in defining the appropriate role of the Federal government. We define the role as having to deal with three major areas of concern:

1. The structuring of financial resources;
2. The reorientation of Federal programs, agencies and regulatory bodies;
3. The provision of technical assistance through model legislation.

More specifically, a neighborhood policy needs to be enacted to serve as a model for a comprehensive approach toward:

1. Restructuring the procedures of governance through a mixture of centralization and decentralization services.
2. Restructuring financial systems with emphasis on subsidy and incentive programs.
3. Molding Federal funds and programs with local conditions.
4. Provision of oversight over relevant regulatory bodies in the context of neighborhood problems.
5. Rearranging human and educational service delivery systems in ways that will increase ultilization and decrease ethnic and racial tension and polarization.

Neighborhood decentralization is no urban panacea, but must be studied in light of our increasing concern for community and the problems besetting our cities. The challenge to the public and private sector and the insurance industry in particular, is in devising creative policies, strategies and programs which can support neighborhood revitalization that can support appropriate political and administrative decentralization efforts.

During the past decade the insurance industry leadership expressed its concern that our urban crisis demanded a response from every sector of our society. I have followed this activity in Response over the years and became sensitive to the fact that a partnership between the public and private sector could not succeed without the cooperation of the community or neighborhood sector.

Our cities are made up of neighborhoods. If our neighborhoods die, our cities will continue to die.

We need to reinvest in our urban neighborhoods if our American cities are not to become black, brown and broke, thus establishing the new American apartheid—abandoned cities surrounded by hostile suburbs.

Besides support for the new downtown commercial enterprises we need the support, new strategies, policies and programs of the insurance industry if we are to develop revitalization and reinvestment mentality in the surrounding urban neighborhoods that are crucial to urban survival. Neighborhood revitalization in our pluralistic urban society is crucial if we are to deal with polarization at the critical point where people must shape and share the burdens of social change—in their neighborhoods.

We plead for support of those leadership institutions—including the insurance industry—to help in the revitalization of our cities by joining as partners with community groups to reinvest in our urban neighborhoods as the building blocks of our pluralistic urban society.

WHO'S LEFT IN THE NEIGHBORHOOD?

A REPORT ON RELATIVE CONDITIONS IN THE WHITE, BLACK AND HISPANIC WORKING CLASS NEIGHBORHOODS OF OUR OLDER INDUSTRIAL CITIES

Geno Baroni and Gerson Green

The National Center for Urban Ethnic Affairs
Washington, D.C.

May 5, 1976

for The Office of Minority Business Enterprise
The United States Department of Commerce
Washington, D.C.

UNITED STATES DEPARTMENT OF COMMERCE
Office of Minority Business Enterprise
Washington, D.C. 20230

FOREWORD

The future health of American cities is inextricably linked to the continued economic viability of their various neighborhoods. What is broadly referred to as "the urban crisis" can be seen in microcosm as a series of struggles of urban neighborhoods to maintain or secure the amenities of life for their residents. The success of these efforts depends to a large degree on creating a [illegible] of hope in these neighborhoods. Decisions of businesses and families to reinvest in their neighborhoods by improving or rehabilitating their properties will rest very much on their perceptions of the neighborhoods' long term prospects.

A little over two years ago the Office of Minority Business Enterprise (OMBE) began to develop strategies to encourage the revitalization of center city neighborhood shopping areas. The National Center for Urban Ethnic Affairs played a major role in this research and demonstration effort.

"Who's Left in the Neighborhood?" is the result of such research supported by OMBE. This study, drawing on Bureau of the Census data from 1960 to 1970 in 18 Eastern and Midwestern industrial metropolitan areas, analyzes trends in a large sample of white, black, and Hispanic working class neighborhoods. This study reveals the diversity of conditions in these urban neighborhoods. Effective development strategies must consider the differing requirements of each particular neighborhood. With the increasing decentralization of Federal resources and authority to city governments, greater opportunities are present for the direct involvement of neighborhoods in planning their future.

Alex Armendaris
Director

ACKNOWLEDGEMENTS

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None of the above are responsible for the views expressed in this report.

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WHO'S LEFT IN THE NEIGHBORHOOD?

A Report on Relative Conditions in the White, Black and Hispanic Working Class Neighborhood of our Older Industrial Cities

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The National Center for Urban Ethnic Affairs
Washington, D.C.

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SUMMARY OF FINDINGS

The report is based on a comparative analysis of 87 white, black and Hispanic center city neighborhoods in 18 metropolitan areas. The neighborhoods in the sample are all working class, of low and moderate income, have large concentrations of poverty, and are located in the older industrial cities of the Northeast, Mid-Atlantic and Midwest regions of the nation. Basic data are derived from the U.S. Census of 1960 and 1970. The basic measure against which all other geopolitical units are compared throughout the study is the metropolitan average.

The report is intended to provide neighborhood residents and political leaders with objective data on relative conditions in the various cultural enclaves. Our hope is that the report will contribute to the creation of a consensus on urban policies to meet the requirements of all of the groups. We believe that the need to achieve consensus among groups often engaged in damaging conflict is a condition precedent to undertaking the political task of creating liveable central cities.

This task appears to be more urgent than it has been in the recent past in light of the trends that indicate the possibility of the older industrial regions becoming the new underdeveloped areas of the nation. The trends indicate that these areas, formerly thought to be the most affluent and powerful in the nation, may soon begin to be perceived as the Deep South once was, and as the Appalachian Region still is.

Although the data is objective the interpretations may not be so characterized. We confess to a bias in favor of significant municipal decentralization of authority and resources to the neighborhoods, and of an emphasis on neighborhood stabilization at a level of equal importance of that assigned to racial integration. Both the data and our experience with neighborhoods and local government in all of the regions indicate the desirability of such a new emphasis.

General Conclusions

1. The locus of decline in the center cities of the older industrial areas has been in the working class neighborhoods. The neighborhoods fell further behind the metropolitan, suburban and city averages on most significant measures of stability during the decade of the 1960's. The decline of the neighborhoods occurred in spite of serious governmental and private efforts intended to improve conditions, and also in spite of a decade of vigorous economic growth and reduced unemployment.

2. Although some important gains were made by the neighborhoods, particularly in some measures of education and income, the hard-core problems remained at least as severe as at the beginning of the decade when measured against the reductions achieved by the metropolitan areas, the suburbs, and the cities. All of the neighborhoods, irrespective of racial or ethnic identity, can still be legitimately classified as disadvantaged by generally accepted governmental and scholarly criteria.

3. As expected, of all of the geopolitical units the black and the Hispanic neighborhoods are least equipped to deal with the stress and the demands of contemporary urban life. The supposedly stable white working class neighborhoods are experiencing conditions more similar to the black and the Hispanic to a greater degree than is generally understood to be the case.

The white, black and Hispanic neighborhoods are sufficiently similar when compared to metropolitan, suburban and city averages to constitute an as yet untapped political base for consensus in the creation of public policies for development relevant to their needs.

4. In spite of some significant gains made by the neighborhoods it is evident that their problems are rooted in high concentrations of poverty and severe racial tensions. The neighborhoods do not have the ability to significantly reduce urban poverty. This task must necessarily continue to be the primary responsibility of the larger public and private sectors and will be amendable only to long term employment, income and development policies that have yet to be formulated.

However it is our judgement that the racial tensions that plague the working class groups in the city will only be amenable to solutions created by the neighborhoods themselves, in some sort of coalition around common issues. The lack of progress in neighborhood stabilization in the 1960's, as revealed by the data, indicate that top-down legislative or judicial actions hold little promise for halting or reversing the decline of the neighborhoods.

5. There were major increases in family disintegration and increased economic and social pressure on women in the neighborhoods during the decade. This was particularly true of the growing stress on black women, especially on mothers. Increases in family disintegration were suprisingly high for the white neighborhoods, far exceeding those of the black areas in some categories. This was an unexpected finding in that the heavily Catholic ethnic neighborhoods have long been thought to be strong family oriented communities.

Family disintegration in these neighborhoods exceeded the metropolitan average by substantial percentages. By almost all measures of family and residential stability, as well as increased pressure on women, all of the neighborhoods far exceeded the problem levels of the metropolitan areas and the suburbs. The study suggests that conditions in the neighborhoods justify considerably more attention from the governmental and the private social, educational, religious and health services sectors, as well as from the feminist movement in general, than has been afforded the problems of the working class women in the past ten years. It is our judgement that the problem is reaching truly acute and dangerous proportions, and that access to appropriate assistance is minimal. It is not inconsistent to hold that unless the situation is improved that successive generations may experience greater difficulty than that of the present.

6. There are major ecological /environmental implications in the study. This is particularly true of automobile ownership rates in the neighborhoods which are substantially lower than those of the metropolitan areas and the suburbs, and which declined further over the decade while the metropolitan averages markedly increased. The trend was definitely to fewer cars in the center city and a great many more in the suburbs.

The higher densities of the center cities, and their generally less favorable topographic characteristics in terms of air pollution retention, argue for a serious reassessment of who is carrying an undue burden and who is benefiting from the massive highway construction and the minimal investment in mass rapid transit systems. It is also likely that, given the limited open space of the center cities in comparison to that of the suburbs, that both children and adults, particularly the elderly, are at a distinct disadvantage in coping with the harassment presented by traffic. While highway accidents for automobile passengers has declined, pedestrian accidents have not.

7. One of the major problems in the formulation of public policy is the absence of commonly held criteria or measures to determine which neighborhoods can or cannot be stabilized or revitalized by established planning and investment procedures. Although conditions in the working class neighborhoods are difficult when compared to the metropolitan, suburban and city averages by most measures in this study, it may well be that during the 1960's the governmental, the media and the scholarly stereotypes actually reinforced patterns of public and private disinvestment of the kind required for development.

In spite of the evident stresses and the public image of deterioration all of the neighborhoods have large percentages of people who have achieved competitive educational and income levels to indicate that the advantages of their areas have not been positively exploited for the benefit of the residents and the cities. Our study suggests that the retention in the neighborhoods of large numbers of socially and eocnomically mobile residents is evidence of the possibility of creating stable and liveable communities.

But established criteria are absent. For example, is a neighborhood with 66% of moderate, middle and upper income families as compared to 77% for the metropolitan average a good market for investment? This happens to be the case with one category of neighborhood in this study, yet it is evident in this category that private investment has consistently declined during the postwar Two period, as our fieldwork established over the past year. This certainly constitutes a counter argument to that which holds that the neighborhoods can only serve as temporary staging grounds for the upwardly mobile, which is the very antithesis of stability. If this alternative argument is granted credence it is evident that the social climate, rather than objective measures, is the cause of decline. If this be the case the healthy white, black and Hispanic neighborhoods are destined to decline further because of their accidental proximity to large concentrations of poverty and to severe racial tensions, rather than due to objective economic conditions.

Education

1. There is virtually no difference between white and black neighborhoods in educational attainment or in percentage of out-of-school youth. Both remain far behind the metropolitan average in all measures, indicating that they are in a seriously non-competitive position in seeking employment, training and higher education opportunities. Hispanic neighborhoods are in the least competitive position.

2. There is no significant correlation between neighborhood educational attainment and income. White and black neighborhoods markedly differ in income even though their educational levels are almost precisely the same. Black and Hispanic mean income are similar in spite of much higher levels of black educational attainment. This appears to constitute strong evidence in support of black claims of massive discrimination.

3. White and black neighborhoods fell even further behind the metropolitan averages over the decade in reducing their percentage of residents with an elementary school education or less. This occurred in

spite of the heavy concentration of compensatory education projects in the center city neighborhoods.

4. Blacks made greater gains than the metropolitan areas in percentage of high school graduates, while whites fell further behind their position of 1960. Both white and black neighborhoods increased their percent of residents with some college attendance to a greater degree than did the metropolitan areas or the suburbs over the decade. White neighborhoods made particularly large gains by this measure. This may mean that the white neighborhoods retained a very high percentage of their college attendees and the black neighborhoods lost a significant number to other locations.

5. One quarter of the 16 to 21 year olds in the white and black neighborhoods were not in school, and one third of the Hispanic. Whites and blacks had two-and-one-half times the rate of the suburbs, and Hispanics three-and-one-half times. This is also the age group experiencing the highest rate of unemployment, and considered to be one of the more important causes of neighborhood deterioration.

Income

1. The metropolitan areas and the suburbs reduced their percentage of residents in poverty to a much greater degree than either the white or black neighborhoods did over the decade. The disadvantaged neighborhoods did not competitively benefit from the great economic growth of the period, nor does it appear that the anti-poverty and other social program efforts adequately compensated for this failure. While the metropolitan areas and the suburbs were experiencing a 50 percent reduction in poverty, the poverty population of the white neighborhoods declined by 36% and the black by only 26%. This may be attributable to the continued migration of the poor to the center city neighborhoods during the decade.

2. The family mean income of white neighborhoods was 23% below that of the metropolitan areas, black neighborhoods were 40% less, and the Hispanic 39%. If the value of services received by the minority neighborhoods are included the income differences between the white and minority neighborhoods may be negligible.

3. White neighborhoods contained 60% more poverty families than the metropolitan average, blacks 200% more, and Hispanics 140% more.

4. In spite of the burden of large concentrations of people in poverty the neighborhoods retained significant economic strength. Two-thirds of the families in the white neighborhoods were of the moderate, middle or upper income levels, as were one-half of the black and Hispanic neighborhoods. White and black neighborhoods increased their percent of middle income families at a greater rate than either the metropolitan areas or the suburbs. The black neighborhoods made the greatest gains, possibly due to governmental anti-poverty and other compensatory programs of the period. The trend was similar for the increase of upper income families.

Occupation And Employment

1. In the sample of metropolitan areas the only occupational category that experienced a major decline was that of the blue collar worker. Government employment experienced the greatest increase while private employment declined slightly.

2. The percentage of white and black government employment was about the same as that of the metropolitan areas and the suburbs. The study does not support the common assumption that center city residents benefit from public employment more than the suburbs. The percentage of Hispanic neighborhood residents engaged in government employment was 40% less than that of all other groups. Black neighborhoods made the greatest gains in government employment over the decade.

3. The metropolitan areas had almost double the percent of residents employed as professionals and managers as that of the white neighborhoods and almost triple that of the minority neighborhoods. Over the decade the rate of increase of the metropolitan areas was more than three times that of the white and black neighborhoods. Gains in this occupational category for both white and black neighborhoods were exactly the same, resulting in a weaker position in 1970 than existed in 1960.

4. Unemployment rates for all of the neighborhoods exceeded the metropolitan average, with the black areas the highest. In general, male unemployment was reduced far more than that of females over the decade.

Family And Residential Stability

1. There was a general decrease in the male labor force and a concurrent increase in the female labor force for all groups during the 1960's. The greatest decline was in black males.

2. All neighborhood groups had significantly lower percentages of married females with husbands in the labor force than the metropolitan average. While the metropolitan average increased over the decade, the white and black neighborhoods decreased. Thus the economic burden on both black and white females in the neighborhoods was markedly increased.

3. All of the neighborhoods contain higher percentages of the divorced and separated than the metropolitan average. Black female rates were triple that of the metropolitan average, and Hispanic double. The increase in white and black divorce and separation rates during the 1960's was at least double that of the metropolitan areas. Although white and black neighborhoods both experienced very major general rates of increase, the largest were for white males and black females.

4. Hispanic neighborhoods had the same rate as the metropolitan average of families in poverty with a female head of household and a child under six years of age. White neighborhoods were well below the average and black neighborhoods were significantly above. The pressure on the black female increased heavily over the decade.

5. White neighborhoods most approximate the age composition of the metropolitan areas. This finding counters the general assumption

that the white ethnic neighborhoods are becoming enclaves for the aged. Black and Hispanic neighborhoods were more imbalanced, particularly in higher percentages of school age children.

6. Hispanic neighborhoods are the most recently established urban enclaves and whites the longest. More than one-third of the white neighborhoods have been in residence prior to 1960, while less than a quarter of the black and one-fifth of the Hispanic have.

7. Home ownership rates for all of the neighborhods are well below the metropolitan average. White neighborhoods had the highest percentage and the Hispanic the lowest.

Commercial Amenities And Housing

1. All neighborhoods have adequate percentages of residents engaged in retail and wholesale trade, and in finance, insurance and real estate to provide the entrepeneurs needed to upgrade their declining commercial centers. White and Hispanic neighborhoods have higher percentages than blacks. Never-the-less one of every five blacks in the neighborhoods is engaged in these industries.

2. Black neighborhoods experienced a significant decrease of residents engaged in retail trade over the decade, while white neighborhoods and the metropolitan areas as a whole increased substantially. Both white and black neighborhoods gained significantly in residents engaged in wholesale trade, but still fell further behind the metropolitan average than their position in 1960.

3. Automobile ownership rates are a factor in neighborhood commercial areas competing with large shopping centers and central business districts. About half the neighborhood families had autos compared with over 80% for the metropolitan average. While the metropolitan areas increased significantly in ownership rates over the decade, the white neighborhoods remained at the same level and the black had a sharp decline. It is possible that the low car ownership rates of the neighborhoods reinforces their marginal commercial districts.

4. There were very large decreases in housing vacancy rates for the metropolitan areas and the suburbs and increases for the neighborhoods. The increase in the rate for black neighborhoods was very high, 35%.

5. The metropolitan areas and the suburbs had the same percentage of minimal value housing as their percentage of people in poverty. The neighborhoods had a large excess of housing valued for people in poverty.

6. The neighborhoods have a great disparity between their percentage of low, moderate and middle income residents and housing valued within their means. There is a severe shortage of housing in the neighborhoods for these groups and a surplus in the suburbs and the metropolitan areas.

7. At least eighty percent of the houses in the neighborhoods were built before 1939. The average for the metropolitan areas was fifty percent.

I. INTRODUCTION

It is generally conceded that the urban planning and development experience of the post-World War II period indicates that the goals of public policy have not been met. Instead of a revitalization of our urban cultures we find ourselves inhibited by ethnic, racial and social class conflict. These conflicts are seemingly immune to massive governmental programming and to the considerable participation of the private economic and social sectors. The attitudes of both the public and private sectors as regards future urban revitalization efforts remain positive. However urban leaders are not as euphoric and aggressive as they were during the decade of the 1960's. There is little confidence in current public or private policies and programs. The skills and resources are still available to undertake new initiatives but the political will is absent. The climate is reactive and focused on crises.

We believe that this paralysis of initiative is due to the lack of consensus amongst the most directly affected groups, those concentrated in the center city neighborhoods. These groups believe themselves to be in a highly competitive situation in a time of chaos in public policy and values. They feel they have been abandoned by their trusted political, economic and religious institutions, and are struggling to sustain their positions in the heirarchical pecking order of urban life as reflected by the status and security of their neighborhoods. The more affluent city neighborhoods and suburbs are involved in the struggle only in indirect ways, and do not perceive the conflicts over busing for integration, employment and entrepeneurial opportunities, and adequate housing and community services as having a direct bearing on their life styles. This lack of a sense of involvement, or even of a rudimentary understanding of the problem, confirms the commonly held assumption that the matter either must be solved by the working class groups themselves if they are to sustain their economic and cultural investments in their neighborhoods, or they must continue to exist in a climate of fear and conflict. It is also commonly understood that the perpetuation of the present climate will continue to undermine the efforts of the cities to sustain a pluralistic urban society, a mix of social class, racial and ethnic populations essential to our conception of democratic life. Therefore the stakes are high and a failure to continue a public commitment to the reconstruction of our urban centers at this time may cost us dearly throughout the foreseeable future.

The fears and conflicts which dominate our urban life at this time appear to preclude the effective intervention of traditional leadership, be they individuals or groups in either the public or the private sectors. This is particularly true of the role of our political leaders who face a no-win situation due to the apparent failure of all efforts to achieve consensus. The mayors, city councils and urban bureaucracies are at the center of this vortex. Their problems are so immediate and so acute that there is little likelihood that we can expect them to effectively intervene in spite of their recent acquisition of resources and authority from the Federal Government. The problem of local leaders is how to plan to meet the needs of the working class ethnic and racial groups that comprise their constituency. This is essentially an intercultural dilemma expressed at the neighborhood level and no longer amenable to solutions imposed by institutional authority, be it political party, union or church, the principal institutions of the neighborhood.

It is increasingly evident that the required consensus on urban policy will have to be created by the competing groups themselves to a large extent. The political, economic and cultural institutions will undoubtedly have to play very major roles in the creation of workable policies and programs. There is no solution possible without these still powerful forces. However there are preconditions that have to be met before their participation is possible. The working class ethnic and racial groups will first have to achieve some consensus on what they consider to be urban policies which meet their need to preserve and improve their ways of life, their cultures of community, before leadership can intervene without too high a political risk in dealing with warring ethnic and racial constituencies.

Let there be no mistake that such cultures of community do exist and are indeed powerful factors in urban politics. The sense of threat to a culture is clearly visible in the urban struggles that have always characterized the older industrial cities. The pluralistic nature of American urban life persists in spite of the increased integration of the neighborhoods in the larger context of American social systems. The cultural enclaves and identities survive within the diversity of the neighborhoods. The policy of placing responsibility for the solution of urban problems on the cultural communities, on the neighborhoods, was begun in the 1960's and remains one of the few hopes for creating a basis for mature behavior in the cities. The idea of decentralizing both authority and responsibility to the people is now widely discussed. The neighborhood is the only human scale context in our vast urban areas to which such authority and responsibility can be devolved. Thus this study of neighborhoods.

The revival of black consciousness and the emergence of strong cultural identifications of the more recently urbanised Hispanic groups are well known. Less known because they are less sharply defined and articulated are the identities of the well established Eastern and Southern Europeans, mainly Catholic, and the primarily Protestant and recently urbanized white groups from the Appalachian regions. We believe the future of urban life in our older industrial cities is to a large extent dependent upon the inclusion of the white working class groups in the public policy formation processes in which the more affluent neighborhoods and the black and Hispanic groups are so intimately involved. It must be remembered that the white working class neighborhoods were either excluded from or only minimally involved in the urban political and programmatic developments of the highly active 1960's. Such exclusion is clearly no longer possible. There can be no workable policies formed without their participation.

We have undertaken this demographic analysis of the white, black and Hispanic working class neighborhoods to provide objective information on relative conditions. There are a significant number of assumptions about the neighborhoods which appear to govern urban policies. The principal assumption being that the white working class has reached levels of affluence and stability approaching middle class status, and that the black and the Hispanic neighborhoods are exclusively cultures of poverty. We believe that to a surprising degree the neighborhood residents themselves, as well as political and private sector leadership, have bought this rather simplistic formulation without sufficient examination.

This report is based on a study of 87 neighborhoods in 18 metropolitan areas. These areas include most of the large and older industrial cities in the Northeast, Mid-Atlantic and Midwest regions of the nation. The neighborhoods included are all working class. Most have primary ethnic and racial identities and contain significant percentages of the low or moderate income, as well as large concentrations of poverty. When combined they are representative of the majority of the residents of our older industrial cities. However this is not a scientifically selected sample. We did not choose the sample knowing what the results would be. We selected minority neighborhoods which have qualified as "poverty" neighborhoods through designation by local governments for Model Cities and Community Action programs. We selected the white neighborhoods because they abutt the black and the Hispanic, are primarily working class, and are thought to be in competition with the minorities and in a process of decline.

In order to obtain realistically descriptive profiles of neighborhoods we had to reconstitute U.S. Census data to conform to boundaries defined by resident organizations. These boundaries are generally accepted by political leaders, planners, investors and the media. The 18 metropolitan areas included in this study range from medium to large size and are located in 14 states.

Baltimore, Maryland
Boston, Massachusetts
Buffalo, New York
Chicago, Illinois
Cincinnati, Ohio
Cleveland, Ohio
Detroit, Michigan
Hartford, Connecticut
Indianapolis, Indiana
Lowell, Massachusetts
Milwaukee, Wisconsin
Newark, New Jersey
Philadelphia, Pa.
Providence, R.I.
St. Louis, Mo.
Springfield, Mass.
Toledo, Ohio
Wilmington, Del.

The sample of neighborhoods reflects the composition of the main working class groups which comprise the central cities and fall into three categories.

White	54 neighborhoods
Black	23 neighborhoods
Hispanic	10 neighborhoods

There are seven Puerto Rican and three Chicano neighborhoods in the Hispanic sample. The white neighborhood sample includes the following:*

Mixed White Ethnic	15
Italian	10
Polish	10
French Canadian	4
Appalachian White	4
Irish Catholic	3
Slavic	2
Hungarian	2
Portuguese	1
Russian Jewish	1
Greek	1
German	1

Other than governmentally defined levels of poverty the judging of conditions in the neighborhoods as good or bad is highly arbitrary and general. There are few accepted measures other than income or housing values, and these are frequently debated. For example we do not know how to stipulate with any precision the most desirable age mix, or level of educational attainment, or the number of auto's a neighborhood should have for the good life, or the mix of occupations and income strata that best contribute to social stability in a community.

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* We will publish a second report which will deal with the characteristics of the groups which comprise the Hispanic and the white neighborhoods. There are important differences between groups such as Puerto Rican and Chicano, and Italian and Polish. The data is too complex to properly handle in one report.

However we are a people with a belief in progress and therefore tend to measure conditions in relation to the most successful achieving group generally thought to be represented by the suburbs. It is the way we think, plan and supposedly form our public policies. This study thus employs specific comparative measures which we hope will be understandable to most readers. They are commonly used in the planning fields for demographic analysis.

To determine relative conditions, we compare the black, white and Hispanic neighborhoods to each other. Hopefully this might be helpful in creating a means for determining a more rational utilization of resources. We frequently compare the neighborhoods to the suburbs to establish differences between areas thought to be in decline and those believed to be stable. We also compare the neighborhoods to the metropolitan areas of which they are a part and which is the only available norm or average for such a study as this. When appropriate we include the cities in the comparisons.

It is important to note that the suburbs are not all affluent and without social and economic problems of their own. It is particularly true of the metropolitan areas in this study many of whose suburbs are also aging and primarily working class in composition. The suburbs do tend to contain more of the higher income workers, as well as the affluent, and represent an alternative life style to that of the cities. They also represent the predominant political force in urban life, and are characterized by a more monocultural identity than that of the city neighborhoods.

We are convinced that the question of culture is crucial to an understanding of the center city neighborhoods, perhaps as important as are material conditions. Central city neighborhoods retain much stronger and directly expressed ethnic, racial and social class identities than do the cities or the metropolitan areas as a whole. Even though they are not monolithic in identity, indeed they are often caught in patterns of competition, they do have contextual commonalities within which diversity can flourish.

The high degree of community identity achieved by and within black groups, and, to lesser degree by Hispanic groups is well known and thought to be both positive and essential to their stability and development. But that of the white ethnic groups of the center city neighborhoods is thought by many to be anachronistic, a residue of the past destined to be obliterated by assimilation into the "mainstream" of American life. This does not appear to be the case. The dominant culture in the white working class neighborhoods of our older industrial cities is Catholic ethnic, although almost all of the nation's ethnic groups are also present. These strong Catholic ethnic cultures which have persisted for generations should be thought of as parallel to the black and Hispanic cultural groups of the cities.

American Catholic ethnics are concentrated in the Northeast, Mid-Atlantic and Midwest regions dealt with in this study. For example, these regions have 80% of the nations French-Canadians, 88% of our Italians, 87% of our Polish population, and 84% of our Irish Catholics.* The belief that these ethnic groups have lost their identity and gained a new one is, of course, the melting-pot theory. Even if one assumes the validity of the melting pot theory rather than that of insistent cultural pluralism, which we do not, the data indicate the large base of first and second generation in most Catholic ethnic groups, particularly those of Eastern and Southern European identity.

PERCENT CATHOLIC ETHNIC GROUPS WHICH ARE FIRST AND SECOND GENERATION IN THE UNITED STATES**

English	31
Irish	31
German	35
French-Canadian	54
Polish	66
Eastern European	77
Italian	84
Spanish-speaking	88
Lithuanian	90

Although the nine groups range from 31 to 90 percent first and second generation, six of the nine are well above 50 percent. Only the English, Irish and German are primarily third generation and later. These groups are not in the neighborhoods of the central cities in significant numbers nor in identifiable cultural enclaves with few exceptions, such as the Irish Catholic neighborhoods of Chicago, Boston and New York.

It is our conviction that relations among the white ethnic, black and Hispanic groups will be decisive to the future of our older industrial cities, and will be a prime determinant of the style and degree of ambience of urban life in America. It is this conviction that motivates and informs our study.

We have offered these introductory remarks, which we anticipate many will find to be highly opinionated, because we feel that readers deserve to know the bias of the writers. We feel that all research, no matter how objective or empirically based, is conditioned by the political views of the investigators. We admit that our research is so conditioned by years of work on issues of importance to the low income and working class ethnic and racial groups of the nation's older industrial cities, and by our experience in neighborhood organizing with our colleagues in the field.

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* Harold J. Abramson, Ethnic Diversity in Catholic America, New York, John Wiley and Sons, 1973.

** Abramson, Op. Cit.

The report is organized into five parts within which the comparisons among white, black and Hispanic neighborhoods are made, as well as comparisons of the neighborhoods with the suburbs and with the metropolitan areas.

II. EDUCATION
III. INCOME
IV. OCCUPATION AND EMPLOYMENT
V. FAMILY AND RESIDENTIAL STABILITY
VI. COMMERCIAL AMENITIES AND HOUSING

An Appendix describes the METHODOLOGY that was employed in handling the U.S. Census data that was the data base for the study.

Although such categorization represents urban life in a fragmented fashion, and indeed it is difficult to derive a human view of the urban community from such data, it will be necessary for the reader to flesh-out the statistics through imagination based on experience, which can be supplemented by reading studies of greater depth and more compelling descriptive insight.

However public policy is supposedly based on factual argument, and factual arguments are inevitably based on statistical analysis. It is through this accepted process that we hope to contribute to the urban policy discussions that may influence the future of the cities.

If the reader understands that it is the same people in the same neighborhoods described in each section, and that the intent is to describe the material dimensions of their lives rather than the emotional and relational, one can gain some idea of the externalities of urban life. If the reader is an urban resident, or a suburban resident with either work or personal relationships with the people of the neighborhoods, these collective statistical profiles may then have greater meaning.

There is no doubt that the profiles suggest that people in the neighborhoods are leading lives that, in many ways, are lives of greater stress than most suburban residents experience. For example the greater rates of unemployment of the neighborhoods can be best understood in light of recent research both in our country and in West Germany that conclude that unemployment is a cause of emotional depression and of increased crime rates. It should be understood that decaying and dreary housing is undoubtedly an emotional burden for families that must devote large amounts of their energy to sustaining a decent home. Career aspirations are conditioned through being employed in low-paying and dead-end jobs requiring a greater determination with less fuel for motivation than those in jobs of greater mobility...

Conversely to take a wholly negative view of the life of the poor and the working class urban neighborhoods would be a serious mistake. As we will document large numbers of neighborhood residents are in income strata and have achieved educational levels which enable them to live where they wish but nevertheless they remain. They remain because they prefer the culture of the neighborhoods and the city over that of other areas. It may be ethnic, religious, family, peers, or that difficult to define concept of life style that hold people in the neighborhoods. It may be a combination of these and the appeal of urban design that neighborhood people cherish and feel cannot be found elsewhere, including what they consider to be a supportive sense of community. Whatever it is, it has many positive dimensions but is threatened.

Our findings contain few surprises. They reinforce the well documented problems of the urban black and Hispanic populations. They do suggest two unexpected conclusions. First, that the Hispanics, particularly the Puerto Ricans, are in many ways facing far greater difficulties than the blacks. Second, that the populations of the white neighborhoods face more problems than we thought and are much closer to the blacks and Hispanics on the majority of measures used than they are to the suburbs and to the metropolitan averages.

There are also positive findings as well. The neighborhoods retain substantial percentages of the moderate and the middle income and the well educated, providing a base for urban development that few realize is present, and providing a counter argument to that which holds that the center city neighborhoods can only be staging grounds for the upwardly mobile who will inevitably seek more affluent residential areas, the concept of the transient neighborhood.

II. EDUCATION

Education is generally viewed as a major factor in determining patterns of settlement, particularly for the middle and the upper income groups. Education is therefore vital to the stability of the neighborhoods, their tax base, and balanced social structure. We have found in our work with neighborhoods that the schools and the general educational milieu are important determinants in the decision of many families to remain or to leave.

Although the educational conditions of the neighborhoods are extremely deficient when compared to those of the suburbs and to the metropolitan average they did make significant gains during the 1960's. One can argue that these gains were insufficient, that the people in the neighborhoods remain in a non-competitive position and this is indeed the case. Nevertheless the data clearly document that the gains of the neighborhoods exceeded those of the suburbs and metropolitan areas on several key educational characteristics. One example of this great gap between the neighborhoods and the suburbs can be seen in their relative percentage of high school graduates.

Table 1. PERCENT HIGH SCHOOL GRADUATES - 1970

Metropolitan areas	55
Suburbs	60
White Neighborhoods	31
Black Neighborhoods	33
Hispanic Neighborhoods	24

The suburbs have almost double the percent of graduates as that of the black and the white neighborhoods, and even a higher ratio when compared to the Hispanics. However, the implications of these depressing data are somewhat ameliorated by the great gains made by blacks during the 1960's.

Table 2. PERCENT CHANGE IN HIGH SCHOOL GRADUATES - 1960 TO 1970*

Metropolitan Areas	+60
White Neighborhoods	+36
Black Neighborhoods	+84

These major gains for blacks over the decade enabled them to surpass the white neighborhoods which they trailed in 1960.

We cannot explain but can speculate as to the reasons the blacks were able to make such significant gains. The achievement may be partly due to the great emphasis placed on education by the Civil Rights movement and the Great Society programs of the 1960's. Black communities were mobilized for change to an unprecedented degree. Government concentrated resources and personnel in the ghettoes through numerous efforts such as the anti-poverty programs, Model Cities, manpower training and compensatory education. All of these programs had education and literacy components and they increased the numbers of black educators and other project staffs. Black Studies programs proliferated and research on the cultural dimensions of learning grew measurably. Evidently these efforts worked to a degree, perhaps more than is generally recognized.

The white neighborhoods increased their percentage of high school graduates by only one-third, falling further behind the metropolitan average in 1970 than their relative position in 1960. This inadequate gain occurred at the same time that they were experiencing a major decrease in Catholic school enrollment, which may have a bearing on their performance. The movement of some affluent workers out of the neighborhoods was also a factor.

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* The U.S. Census did not include the Spanish speaking in 1960 thus accurate measures of change for Hispanics from 1960 to 1970 cannot be made.

The data on college attendance follows the same pattern of a continuing great gap in attainment of the neighborhoods when compared to the suburbs, but with neighborhood gains over the decade that exceeded those of the suburbs.

Table 3. PERCENT OF RESIDENTS WHO ATTENDED COLLEGE - 1970, AND PERCENT CHANGE FROM 1960

	1970	Change from 1960
Metropolitan Areas	21	+27
Suburbs	23	+22
White Neighborhoods	9	+72
Black Neighborhoods	8	+39
Hispanic Neighborhoods	6	---

Both whites and blacks made greater gains than the suburbs and the metropolitan areas as a whole. In spite of these impressive gains by the neighborhoods the suburbs still have roughly three times the percent of residents who attended college. Black neighborhoods began the decade with a slightly higher percentage than whites of residents who attended college. The significant increases made by the whites during the ten year period resulted in their passing the black neighborhoods in this measure. It is possible that the whites were in a better position to take advantage of the immense growth of publicly supported higher education programs due to greater family stability. However the change is most likely due to the greater movement of educated blacks out of the ghettoes.

It is not our position that urban working class neighborhoods should necessarily match the educational attainment of the suburbs. The neighborhoods need not reach parity with the suburbs to renew themselves. Many people do not wish for or require higher education. Many skilled jobs which require only a high school degree pay as well or better than jobs which require some higher education. The important point is that the opportunity structure should be in place for those who wish and are able to utilize it. Some of the policies and programs of the 1960's markedly improved the opportunity structure for residents of working class neighborhoods, including major bilingual programs of benefit mainly to Hispanics.

The current problem is that improvement in the educational opportunity structure made in the 1960's is clearly threatened by the political and economic climate of the 1970's. The preoccupation of the media and political leaders with the issue of busing for racial desegregation has obscured the educational problem of the working class neighborhoods in the cities. Not only are the opportunity structures which were so painfully built in the 1960's threatened, but the very stability of the neighborhoods and urban life in general is at stake.

In spite of the gains that we have outlined educational conditions remain abysmal. We know that improving educational conditions for large cultural groups is a lengthy process and that keeping the opportunity structure open and consistently improving it will be the work of several decades, regardless of the level of public investment. To be in a position to adapt to the massive technological and social changes of our times requires a long-term effort in education, and, if the city neighborhoods are not stabilized, and indeed revitalized, future educational gain may only result in a further building of a suburban society at the expense of the urban, most likely increasing the isolation of ethnic and racial populations. We do not believe that such a result is necessary or foreordained, but will occur if the great need to deal with educational deficiencies in the neighborhoods is obscured by issues with which the neighborhoods cannot deal. These deficiencies are major and afflict all racial and ethnic groups.

Table 4. PERCENT RESIDENTS WITH ELEMENTARY SCHOOL EDUCATION OR LESS IN 1970, AND PERCENT CHANGE FROM 1960

	1970	Change from 1960
Metropolitan Areas	26	-32
Suburbs	22	-30
White Neighborhoods	40	- 9
Black Neighborhoods	42	- 3
Hispanic Neighborhoods	53	---

Again the gap is serious with the neighborhoods having almost double the percentages of the suburbs. But more ominous than the size of the gap is the insignificant reductions made in this category by the neighborhoods. The neighborhoods have at least the same percentage with only an elementary school education as their combined percentage of high school graduates and those with college attendance.

Table 5. PERCENT RESIDENTS WITH ELEMENTARY SCHOOL EDUCATION COMPARED TO PERCENT OF HIGH SCHOOL GRADUATES AND THOSE WITH SOME COLLEGE ATTENDANCE - 1970

	Elementary Education	High School & College
Metropolitan Areas	26	76
Suburbs	22	83
White Neighborhoods	40	41
Black Neighborhoods	41	41
Hispanic Neighborhoods	53	30

It is our belief that the serious imbalance in the educational attainment of the neighborhood populations is not solely a result of inferior educational systems. As important have been governmental urban renewal and housing policies that reduced opportunities in the cities and increased them in the suburbs, thus drawing-off the more mobile neighborhood people who happen to have been those with the highest levels of education, or those aspiring to such. This has left the neighborhoods with an inordinately large percentage of youth with minimal hopes and expectations who happen also to be the age group with the highest percentage of unemployment. They can be seen in large numbers in the streets and public places in all center city neighborhoods, and are a definite inhibition to development, often causing great fear amongst the people in residence. They are sometimes referred to as "social dynamite."

Table 6. PERCENT RESIDENTS OF AGES 16 TO 21 NOT IN SCHOOL - 1970

Metropolitan Areas	13
Suburbs	10
White Neighborhoods	24
Black Neighborhoods	24
Hispanic Neighborhoods	34

This category, generally thought to be an indicator of dropouts or pushouts, is often associated with high crime rates and increasing drug and alcohol usage, and with early marriage and family deterioration. Both white and black neighborhoods have precisely the same rates, two and one-half times that of the suburbs.

The Hispanic neighborhoods, as they do in each educational category, suffer higher negative rates than all other groups. We think that the poor position of the Hispanics, particularly the Puerto Ricans, is due not only to language problems but also to their relative newness to urban life. If educational opportunities provided the Hispanics were comparable to those provided the Blacks in the 1960's, the 1970 Census would show them to have made significant educational gains. However the reduction of the rate of support for education and other related services indicates that the Hispanic groups will have to rely on other means than increases in public investment.

One of the most important findings of this study is that there is no strong no correlation between educational attainment and income. White and black neighborhoods have achieved precisely the same levels of education and whites still earn more. This is partially explainable by the older average age of the white neighborhoods, meaning that they have been in the job market longer. But there is further evidence that there is no correlation between education and economic well being. Both black and Hispanic neighborhoods have about the same age structure and, although black neighborhoods lead Hispanics by large percentages in every educational category their annual income is approximately the same. Again, although blacks have much higher levels of educational attainment than Hispanics they still suffered higher levels of unemployment in 1970. Educational achievement has not resulted in a corresponding increase in economic well-being and security, nor have equal employment opportunity laws and programs. The black communities have a special burden. Blacks have the highest number of female heads of household and the double bind of both racial and sexual discrimination appears to more than counter-balance whatever benefits are gained through education.

The lack of correlation between education and income indicates that there may be considerable validity in black assertions of American racism in employment and promotion practices. However the current situation in the cities which pits working class whites against blacks is tragic and counter to our stated national goal of stabilizing the neighborhoods. It should be evident that the white working class neighborhoods do not run the economy, do not discriminate in employment or in the setting of equitable pay scales. The mutual hostility of whites and blacks is clearly misdirected. If educational conditions are considered to be an issue of interest to both whites and blacks in the center cities then political coalition on these conditions appears to be a genuine possibility. Setting aside the question of busing for integration it is clear that whites and blacks have a potential common agenda and that busing may not meet the needs of either group. The controversy may indeed be obscuring the real educational issues. The following summarizes the remarkable similarity of educational conditions in white and black center city neighborhoods.

Table 7. COMPARISON OF EDUCATION CHARACTERISTICS OF WHITE AND BLACK NEIGHBORHOODS (percentages) - 1970

	White	Black
Elementary School Education or Less	40	41
One to Four Years of High School	41	47
Graduated From High School	31	33
Attended College	9	8
Ages 16 to 21 Not In School	24	24

Although the neighborhoods made some important gains during the 1960's, particularly in terms of high school graduates for blacks and college attendance for whites, the educational conditions of these groups and the Hispanics is very low when compared to that of the suburbs and the metropolitan areas. They are too low given the requirements of a more complex and selective job market and of the declining economic base of the older industrial cities. This situation will be even more damaging if the slow growth rate of the American economy continues.

III. INCOME

Our findings on relative income positions are twofold. First, the white neighborhoods have higher concentrations of poverty than we expected, falling well below the relative affluence of the suburbs and somewhat above the deprivation of the blacks and Hispanics. Second, even the poorest neighborhoods have about one-third of their families which can be classified as middle or upper income.*

There were two standards of economic sufficiency established by the Federal Government in 1970, the "poverty" level set by the Office of Economic Opportunity, and the "lower" standard of living set by the Bureau of Labor Statistics. The OEO poverty level for a family of four was $3,800 and the BLS lower standard was $6,960.** These standards are

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* Throughout the study we will be referring to various income strata. The five strata utilized are:

Poverty:	$4,000 or less	Middle:	$10,000-15,000
Low:	$4,000-7,000	Upper:	$15,000 and over
Moderate:	$7,000-10,000		

** OEO Income Poverty Guidelines (Revised), December 1, 1970, OEO Instruction 6004-1b.
-Spring 1970 Cost Estimates for Urban Family Budgets, (family of 4) December 21, 1970, Bureau of Labor Statistics, USDL-11-606; Revised Equivalance Scale: For Estimating Income and Budget Costs by Family Type, Bulletin No. 1570-2.

based on analysis of normal survival costs familiar to everybody: housing, food, clothing, health care, transportation, recreation and furnishings, among others. As in the establishment of all standards the judgment of minimal survival requirements is somewhat arbitrary. We do not wish to argue the validity of either standard, leaving such judgments to the reader. The following table includes both standards in the assessment of poverty or low income.

Table 8. PERCENT RESIDENTS WITH FAMILY INCOME OF $4,000 OR LESS (OEO), AND WITH $7,000 OR LESS (BLS) - 1970

	OEO	BLS
Metropolitan Areas	10	23
Suburbs	7	18
White Neighborhoods	16	34
Black Neighborhoods	30	52
Hispanic Neighborhoods	24	48

The findings confirm the well known concentrations of poverty in the black and Hispanic neighborhoods and establish the white neighborhoods as containing higher percentages than expected, double that of the suburbs.

The findings on the white neighborhoods are somewhat surprising in that recently published research concludes that American Catholic ethnic groups exceed national average income by considerable amounts, and that many of these groups, including Italian and Polish Catholic Americans lead all Protestant groups. Andrew Greeley's very useful and original research that established the rankings is based on national samples.* Our data indicate that the American Catholic ethnic groups in the neighborhoods of the older industrial cities are not sharing in that relative affluence, but are closer to conditions in the black and Puerto Rican neighborhoods.

Table 9. FAMILY MEAN INCOME OF ITALIAN, POLISH, BLACK AND PUERTO RICAN NEIGHBORHOODS - 1970

Metropolitan Areas	$10,405
Suburbs	10,886
Italian Neighborhoods	7,712
Polish Neighborhoods	7,072
Black Neighborhoods	6,203
Puerto Rican Neighborhoods	6,065

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* Andrew M. Greeley, Ethnicity, Denomination, and Inequality, Center for the Study of American Pluralism, the National Opinion Research Center, Chicago, Illinois, October 1975 (A Bicentennial Report to the Ford Foundation)

The reason that these findings are somewhat surprising is that the white ethnics have a much longer urban experience than do blacks and Puerto Ricans, and a higher average age and thus more time in the job market. In addition they are purported to have a more developed institutional infrastructure such as the Catholic Church, the labor movement and local political organizations thought to be of considerable material benefit. Yet Italian, Polish, and Puerto Rican neighborhoods have significantly lower mean incomes than the general categories of which they are a part throughout this study. To return to those general categories.

Table 10. FAMILY MEAN INCOME - 1970

Metropolitan Areas	$10,405
Suburbs	10,886
White Neighborhoods	8,009
Black Neighborhoods	6,203
Hispanic Neighborhoods	6,318

This table tells the basic story. The mean income of the white neighborhoods is $2,877 (36%) less than that of the suburbs, and $1,806 (23%) more than that of the black neighborhoods.

So we have seen how the workers' neighborhoods are burdened with great concentrations of the low income and with marginal mean incomes. But as in other dimensions of this study we find that there are encouraging aspects as well. The neighborhoods have retained large numbers of the middle income. It is necessary to point out this fact, long known to demographers, to counter the popular poverty stereotypes of the "ghetto" and the "barrio", or for that matter the working class stereotypes of "Little Italy" or "Greek town".

Table 11. PERCENT FAMILIES OF MODERATE, MIDDLE AND UPPER INCOME LEVELS - 1970

	$7,000-10,000	$10,000-15,000	$15,000 or more	TOTALS
Metropolitan Areas	20	31	26	77
Suburbs	19	34	30	83
White Neighborhoods	23	27	16	66
Black Neighborhoods	19	19	9	47
Hispanic Neighborhoods	23	20	9	52

It turns out that the neighborhoods have a majority of families who are at least of moderate income, although their totals are far below those of the suburbs and the metropolitan areas. One of every five families in the black and the Hispanic neighborhoods were middle income, earning between $10,000 and $15,000, as did one of every four families in the white neighborhoods.

The stereotypes about center city neighborhoods as "cultures of poverty" have been established by overly zealous anti-poverty advocates and clearly represent a distorted image that affects the perceptions of the general public, investors and even planners and political leaders. This image feeds the speculators and heightens the patterns of public and private disinvestment. Anyone familiar with working class urban neighborhoods knows that they have pockets of poverty, which, in physical terms often comprises only a minority of the neighborhoods. The majority of the general physical environment meet standards of acceptability and are frequently amongst the most attractively designed elements of the metropolitan areas, including the suburbs. Yet studies on "redlining" document that neighborhood residents and merchants have been unable to obtain loans because of this distorted image, thus further burdening neighborhood efforts of revitalization which are already sufficiently difficult due to the high concentrations of poverty and low income residents.* Thus it appears that public and private development policies have not been based on factual information but rather on exaggerated and distorted images of the economic and physical conditions of the neighborhoods.

At this point the analysis of income strata becomes much more complex, especially in tracing gains made over the decade. The neighborhoods, stereotyped as poverty or marginal areas, actually made greater gains in the moderate and middle income levels than did the suburbs and the metropolitan areas as a whole. Unfortunately, they failed to reduce their poverty and low income strata as much as the suburbs and metropolitan areas did during the decade of the 1960's. Nevertheless, the gains were substantial.

Table 12. CHANGE IN PERCENT OF MODERATE AND MIDDLE INCOME FAMILIES FROM 1960 TO 1970

	$7,000-10,000	$10,000-15,000
Metropolitan Areas	-21	+133
Suburbs	-33	+110
White Neighborhoods	+ 9	+165
Black Neighborhoods	+32	+210

The neighborhoods also increased in the upper income levels at a greater rate than did the suburbs and metropolitan areas. In spite of the gains the suburbs have double the percent of upper income families as that of the white neighborhoods, and more than triple that of the minorities.

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* The exhaustive studies of "Redlining" by the National Training and Information Center, Chicago, Illinois, and their organizing of neighborhood leaders throughout the nation has raised public consciousness about this phenomena. "Redlining" is the judgment and designation of neighborhoods by lending institutions as areas of high risk and thus ineligible for mortgage and rehabilitation loans. The Congress recently passed legislation requiring public disclosure by lending institutions of both deposits from and loans to neighborhoods.

The Congress passed and the President signed on December 31, 1975 the Home Mortgage Disclosure Act which requires savings institutions to disclose the amount of deposits received from urban sub-areas and loans made to those areas. This theoretically enables citizens to identify instances of potential "redlining". See "urban Disinvestment: New Implications for Community Organization, Research and Public Policy," Arthur J. Naparstek and Gail Cincotta, A joint publication of The National Center for Urban Ethnic Affairs and the National Training and Information Center, Washington, D.C. 1975.

Table 13. PERCENT FAMILIES OF UPPER INCOME LEVELS - 1970 *

	$15,000-25,000	$25,000 or more	TOTALS
Metropolitan Areas	20.4	5.7	26.1
Suburbs	23.3	6.8	30.1
White Neighborhoods	13.5	2.3	15.8
Black Neighborhoods	7.8	1.1	8.9
Hispanic Neighborhoods	8.2	0.9	9.1

It is clear that the neighborhoods have some affluent families. The white neighborhoods had almost one of every seven families with incomes over $15,000, and the black and the Hispanic almost one of every ten families earning at these levels in 1970.

Table 14. CHANGE IN PERCENT OF UPPER INCOME FAMILIES FROM 1960 TO 1970

	$15,000-25,000	$25,000 or more
Metropolitan Areas	+391	+271
Suburbs	+337	+213
White Neighborhoods	+469	+355
Black Neighborhoods	+638	+371

These gains were made in a decade of great economic growth and major increases in governmental programs. The most remarkable aspect is that the neighborhoods held these economically mobile populations in spite of the riots and the rising crime rates of the 1960's. However the larger question is what will happen as we face a period of slow growth or no-growth accompanied by a marked diminution in government programs that prime the pump. Such a situation presents grave dangers to achieving intergroup consensus on public policies in the cities. If the cities face the fiscal crisis that many predict, this of course will exacerbate group tensions even more. Public services will inevitably decline.

It is our belief that the moderate, the middle and the upper income groups are concerned about keeping what they have. The poor and the lower income aspire to reach the level of the moderate income. Even in a period of slow growth of the economy these are reasonable goals, particularly for the poverty and the lower income. It is the problems of these groups which have great negative effects on the viability of the neighborhoods, thus it is essential to improve their situation for the benefit of all the residents. In fact those of moderate income and above cannot improve their general environment without improving the lot of the poverty and the low income in their neighborhoods. They can only leave the neighborhoods with drastic effects on the cities resulting from such flight. Income policies should therefore be geared to achieving these goals, and specific programs should be targeted accordingly. If we do not do so there is a very real danger that there will be further decline in the quality of neighborhood life, resulting in greater social chaos and family disintegration than we experienced in the 1960's.

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*Much of the increases in the income figures in this report are a function of inflation between 1960 and 1970. However, the effects of inflation over this period are relatively similar and the comparative data remains valid.

We think this dangerous situation is a real possibility because during the 1960's many of those in poverty and the low income had hopes stimulated by a period of general economic growth, as well as national efforts and rhetoric designed to specifically ameliorate their condition of economic insufficiency. But they now know that they do not benefit adequately from such growth. Some real gains were made, but not to the degree expected, and not for those most in need. It appears that economic growth benefits the poor and the low income in the suburbs more than it does their counterparts in the central city neighborhoods, in spite of the efforts of the 1960's.

Table 15. CHANGE IN PERCENT OF POVERTY AND LOW INCOME FAMILIES FROM 1960 TO 1970

	$4,000 or less	$4,000-7,000
Metropolitan Areas	-49	-65
Suburbs	-48	-70
White Neighborhoods	-36	-55
Black Neighborhoods	-26	-40

Even though beginning the decade with far fewer poor and low income the suburbs and metropolitan areas reduced these categories to a greater degree than did the neighborhoods. Conversely, the neighborhoods were able to increase their more affluent groups to a larger extent than the suburbs and the metropolitan areas.

We speculate that general economic growth therefore in the main benefited the suburbs more than it did the neighborhoods, particularly in terms of the poor and the low income. At the same time we feel that the data indicate that governmental social programs increased the number of moderate, middle and upper income people in the neighborhoods more than it did for those groups outside of the cities. This latter finding was not unexpected in that the social programs were concentrated in the cities, but the low income and the poor did not benefit as expected.

An example of this may well be the impact of the educational support programs of the 1960's. We stressed that there is no general strong correlation between educational attainment and income in Part I. The income data in general confirm this finding. But it is entirely possible that some of the growth of the moderate, middle and upper income strata in the neighborhoods is attributable to these educational programs. If so, then the educational systems need to reassess those program approaches which are supposed to be geared to the needs of the poor but in effect benefit the non-poor. It appears that our data support the findings of James Coleman and of Christopher Jencks that family is the crucial factor, or at least that family is the main factor in enabling students to exploit improved educational opportunities.

The income differences between the white and the minority neighborhoods may not be as great as indicated by the data. We have no specific information on the economic value of services, but in general, the minority neighborhoods receive more services of economic value than do the white communities. We realize that these services are justifiably compensatory, but from a strict statistical view, ignoring the result of historic forces which caused many of the minority problems, the minorities nevertheless receive services of economic value. We do not believe the method of government compensatory programs is the best possible. We would prefer cash grants or vouchers to stimulate a free market in services, but it is necessary to assess what is actually operative.

The minority neighborhoods qualify for and utilize services of economic value far more than the white neighborhoods do. Such services as public housing or housing subsidies, day care, food commodity and stamp programs, preferred employment in summer programs, educational services such as Upward Bound, Head Start and the Elementary and Secondary Education Act Projects, health and a number of other services may well add up to as much or more than the $1,800 annual difference between minority and white neighborhood family mean income. From this perspective the income differences are not as significant as is generally thought.

IV. OCCUPATION AND EMPLOYMENT

The center city neightborhoods have been traditionally blue collar in identity and continue to be so. Many of the neighborhoods contain important industrial plants or abutt such facilities. In the main these facilities are thought to be increasingly obsolete. Consequently, plant and management have been moving to the suburbs supposedly attracted by low cost land, lower taxes and employee safety, or to other regions for new markets or cheaper labor. The net result of these post-war trends has been loss of skilled, stable, and well paid workers and a reduction of the tax base of the cities. In spite of these losses the regions containing our older industrial cities remain the leading areas in heavy industry and retain the largest numbers of skilled workers who are heavily unionized. But they are no longer concentrated in the city neighborhoods to the extent they once were.

The older industrial cities remain the administrative and research headquarter locations for many of our largest corporations. The headquarters are held in the cities and metropolitan areas by the concentration of institutions of higher education, the sophisticated marketing capacities located in the cities, the presence of large numbers of prominent financial institutions, and the dense markets of the regions. We feel that the competitive advantages of the suburbs are no longer as meaningful as in the recent past due to increasingly higher taxes and rising crime rates. Similarly the advantages of the South and the Southwest regions of the nation are diminishing as unionization increases and labor costs rise. The trend to the West has also faded.

The post-industrial society may not ultimately cause as much dislocation as has been generally anticipated. There are indications that we are moving toward becoming a national economy in terms of both cost-of-living and income equalization of our various regions. The continuing growth of the South and the West is not a threat to the dense older industrial areas but rather an opportunity to improve urban life without the added burden of trying to absorb masses of immigrants, as was required during the entire post-War Two period. The emergence of a nationally balanced economy may slow down the pattern of loss of population that the older industrial areas have been experiencing, after the growth of the "Sunbelt" slows down. The increase in union membership in the South may be a major indicator. In a *U.S. News and World Report* article the following reasons for the changing situation in that region were inventoried:

> - As industry continues to move south, competition becomes keen for available workers. In some areas of the Carolinas, unemployment now is less than 2 percent of the work force. With jobs already going unfilled, companies no longer can afford to fire all dissidents. Even workers who are discharged have little trouble finding a job with another company.
> - Workers are becoming increasingly aware that the cost of living in this area is not substantially lower than in other parts of the country, and thus they are pushing for the sort of pay gains that unions tend to win for members.
> - The environment has changed Communities linked to a single plant and the family-company ties fostered by paternalism are nearing extinction in an increasingly mobile society.
> - Union officials say two groups - blacks and the young - are most receptive to organization. Young workers, the union men say, have not encountered a lifetime of anti-union indoctrination, and they demand more from a company than did their parents. Blacks learned the value of organization during civil-rights struggles, these aides report.
> - Politicians no longer are openly hostile to labor groups, and some seek union endorsement. In the recent past, open endorsement was a "kiss of death".*

The actual figures documenting union membership gains in the eight states of the South are impressive, as the following from the same article indicates:

	Union Members	
	1964	1970
Alabama	158,000	193,000
Florida	214,000	299,000
Georgia	166,000	251,000
Kentucky	195,000	250,000
Mississippi	62,000	76,000
North Carolina	100,000	137,000
South Carolina	48,000	81,000
Tennessee	201,000	274,000

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* "Against Stiff Opposition, Unions Rise In The South", *U.S. News and World Report*, September 3, 1973.

Union membership increased by 36 percent in the South from 1964 to 1970. Nationally union membership increased by only 15 percent. The Southern states more than doubled the national rate of growth. Although there is no way to determine the time frame of equalization, barring major economic or political upheavals a ten to fifteen year period seems to be a reasonably educated guess.

At the same time the high-growth service industries such as health, education and public employment are not only unionizing at a rapid rate but are also adopting a more activist stance which includes beginning efforts at improving services for their consumers as well as the traditional concerns of wages, benefits, and working conditions. It is possible that the labor movement will again become a major factor in social change as new leadership emerges from the vast new memberships, which, coupled with the now established tripartite production planning by management, labor and government in many industries, may provide the working-class with a new means of affecting urban policy. It is within this context that changes in the occupational composition of the workforce should be assessed. There were important changes during the 1960's.

Table 16. PERCENT CHANGE IN OCCUPATIONAL CATEGORIES IN METROPOLITAN AREAS OF THE STUDY - 1960 TO 1970*

Government Workers	+37%
Service Workers	+31%
Professional & Managerial Workers	+24%
Sales & Clerical Workers	+10%
Blue Collar Workers	- 9%

The most important change is the reduction of blue collar employment in these highly industrialized areas. The trend from blue to white collar employment need not be a major problem if education and occupational training programs adjust to the new realities and if white collar pay scales are competitive with the blue collar jobs that were lost.

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* There was a slight decline of two percent in private sector employment during this period. This should not be viewed as overly significant for over 80 percent of those employed are in the category "Private Wage and Salary".

With the exception of the black neighborhoods employment as private household workers was such a small percentage as to be inconsequential. Employment of black residents in this category comprised 4 percent in 1970, a decrease from 1960, indicating the opening of other opportunities. Nevertheless it is evident that this is still an employment category of some importance for central city blacks, and may remain so in the future given the organization of household workers and the improvement in remuneration and working conditions that has occurred since the late 1960's. However the category is not significant for the metropolitan areas as a whole, nor to the other groups in the sample.

Of particular significance is the growth and the role of public sector employment, a focus of major attention over the past ten years and definitely of importance to the development of the neighborhoods.

Table 17. PERCENT OF RESIDENTS IN GOVERNMENT EMPLOYMENT - 1970

Metropolitan Areas	15
Suburbs	15
White Neighborhoods	14
Black Neighborhoods	16
Hispanic Neighborhoods	9

The generally held belief that white working class neighborhoods dominate government employment through their favored relation to city political organizations is not supported by our study. In fact the opposite is indicated as can be seen by the relative gains in public employment made by the various groups over the decade.

Table 18. PERCENT CHANGE IN GOVERNMENT EMPLOYMENT - 1960 TO 1970

Metropolitan Areas	+37%
Suburbs	+36%
White Neighborhoods	+36%
Black Neighborhoods	+47%

It seems that our public employment system as an instrument of governmental policy is highly adaptive. This adaptive capacity remains in spite of the decline of the patronage system and the emergence of supposedly merit-based civil service. Blacks made by far the greatest gains during the decade.* The belief that the great municipal reform movements destroyed the patronage systems prior to the arrival of the minorities, thus eliminating public employment as an upward mobility route, is not supported by our study. The rise of black political power in the cities has been accompanied by a rise in public employment. It can be expected that the next great push for the opening of public employment opportunities will come from the Hispanic derived groups, and, to a lesser extent, from the Appalachian whites who have been moving into the cities in increasing numbers and are suffering from income insufficiency and other problems as much as the blacks and Hispanics are.**

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* This is not to say that blacks or Hispanics have made qualitative gains in government employment comparable to the quantitative gains that are evident in our data. The white neighborhood residents may still hold disproportionate percentages of the better paying jobs, although equal employment programs have markedly increased members of minority groups in supervisory positions since the Civil Rights movement. Once in the civil service pipeline, mobility is almost assured. And the education and income levels of the white neighborhoods indicates that upper level positions are held by those in the more affluent city neighborhoods and by suburban residents, to a large extent.

** Appalachian migration to the cities appears to be slowing. We think this to be the case in that the Appalachian region is experiencing population growth at this time.

Being that one in every eight workers is now employed by government the current fiscal crisis of the cities is a genuine threat. It is a threat in that the working class ethnic and racial groups, which are more marginal and less mobile than the middle classes rely on such employment opportunities, and if the growth of public employment is curtailed, as it now appears it will be, and if there is no corresponding increase in private sector employment, we can expect additional economic stress in the center city neighborhoods.

we can say that the public sector has been far more effective than the private sector in creating opportunities for black employment, and that whites do not hold a favored position in public employment.

Table 19. PERCENT RESIDENTS EMPLOYED BY FEDERAL, STATE, AND LOCAL GOVERNMENTS - 1970

	Federal	State	Local	TOTALS
Metropolitan Areas	3.7	3.5	7.7	14.9
Suburbs	3.5	3.8	7.4	14.7
White Neighborhoods	3.8	2.7	7.8	14.3
Black Neighborhoods	4.7	4.0	7.7	16.4
Hispanic Neighborhoods	2.5	1.9	4.6	9.1

Clearly the white and the black center city neighborhoods are competitive with the metropolitan areas in terms of government employment. Suburban government employment is evidently as large as their urban counterparts, which we did not expect to find. A sort of equity has been established in the opportunity structure, with the exception of the Hispanic groups, particularly the Puerto Ricans. One conclusion that can be made is that the urban-oriented governmental programs of the 1960's did result in significant gains for blacks, not only in public employment, but also in the ability to influence the distribution of public resources. It is our opinion that this is a result of the political process affected through mass-based organizing. Black "militancy" not only caused wide public exposure of black problems, but also identified self-interest issues for the black neighborhoods. This resulted in bloc voting patterns that were unmistakable to municipal political leadership. Black militancy turned out to be the normal self-interest politics traditional to all groups, but more highly dramatic than the experience of most other groups. This is partially due to its occuring in a mass media age, and to the great injustice visited upon this group for so long.

The problem of the present time is that such militancy rends the political and social fabric of the cities to an intolerable degree, especially during a period of scarce resources and growing need. Political leaders as well as the ethnic and minority working class neighborhoods are currently loath to proceed along such lines. However if the neighborhoods continue to have to struggle for their very existence, and if the nation's economy fails to recover at an adequate rate, a return to militancy in the center cities is inevitable for some, and a retreat into unhealthy apathy is a probability for others.

Service industries represented the second largest increase in employment opportunities during the decade. The suburbs and the black neighborhoods experienced the greatest increase.

Table 20. PERCENT RESIDENTS EMPLOYED AS SERVICE WORKERS IN 1970, AND PERCENT CHANGE FROM 1960

	Employed in 1970	Change from 1960
Metropolitan Areas	11	+31
Suburbs	10	+45
White Neighborhodds	14	+35
Black Neighborhoods	21	+44
Hispanic Neighborhoods	15	+26

Service industries do not necessarily provide high paying jobs and there is some question as to the degree of career mobility and security that they provide. This is a much more general category than the others. Its meaning is harder to define. However we very much doubt that the service industries provide employment with income comparable to that of the blue collar fields, and may ultimately prove to be a factor in decreasing neighborhood income.

All groups look to the professional and managerial categories to enrich their collective occupational and economic existence. This has become clear to us as we assessed neighborhood attitudes on education. Status occupations identified by children in the classroom appear to have a great deal to do with sanctioning the education system and the neighborhood as a desirable residential area. If the lawyer, professor, physician, engineer, or business person place their children in the school, or purchase a home in the neighborhood, the status of the school and the neighborhood rises in the minds of many. Thus this occupational category has considerable meaning beyond that of the economic for many in the neighborhoods.

Table 21. PERCENT RESIDENTS EMPLOYED AS PROFESSIONALS AND MANAGERS IN 1970, AND PERCENT CHANGE FROM 1960

	1970	Change
Metropolitan Areas	24	+24
Suburbs	26	+16
Cities	19	+19
White Neighborhoods	13	+ 7
Black Neighborhoods	9	+ 7
Hispanic Neighborhoods	9	---

The suburbs have double the percentage as that of the white neighborhoods, and nearly triple that of the minorities. Both white and black neighborhoods increased precisely the same in this occupational category over the decade. The gains for the neighborhoods were so minimal that they fell further behind the metropolitan average than they were in 1960.

The cities increased in their percentages in this category during the decade by 19%, which, considering the low levels of the working class neighborhoods, accounts for the large metropolitan increase, larger than that of the suburbs. We believe this is attributable to the growth of public programs and corporate research and headquarters employment. This indicates that cities have retained the middle and upper income to a larger extent than we anticipated. It also indicates the importance of holding the middle income working class groups in the neighborhoods if a healthy spectrum of population is to be retained by the cities. The imbalance of the cities income strata is far more than that of the suburbs, which supports the proposition that the cities are becoming the home of the well off and the poor.

Figures for the decade indicate that all groups decreased their number of unemployed, but this is not surprising being that the decade began in recession and ended in prosperity.

Table 22. PERCENT RESIDENTS UNEMPLOYED IN 1970, AND CHANGE FROM 1960

	Unemployed in 1970		Change from 1960	
	MALE	FEMALE	MALE	FEMALE
Metropolitan Areas	3.5	4.6	-34	-15
White Neighborhoods	4.9	6.3	-40	-17
Black Neighborhoods	7.8	7.8	-28	-26
Hispanic Neighborhoods	6.4	6.8	---	---

Female unemployment rates were higher than those for males in all groups except for the black neighborhoods. Similarly reductions of male unemployment for the metropolitan areas and the white neighborhoods were more than double the reduction of female unemployment. Black males and females experienced approximately the same reductions. The minority unemployment rate is still the greatest urban problem and the difference between whites and minorities is significant as expected. These rates must be markedly reduced if the black neighborhoods are to be revitalized. Important black efforts to improve employment security is an essential goal, if vigorously pursued. As employment opportunities have diminished jobs have become the single most competitive issue between the three working class groups. Expected decline in public employment will increase competition between the groups.

The occupations and industries in which the neighborhood residents are employed are evidently less secure as compared to the suburbs and the metropolitan areas as a whole. The decline of blue collar employment opportunities is an ominous indicator for all of the neighborhoods given their low levels of education and the increasing sophistication required for employment in the better paying growth occupations. Training and education programs will be faced with increased demands from the neighborhoods as the technological base and the organization of the economy undergoes further change.

V. FAMILY AND RESIDENTIAL STABILITY

The question of stability is one often noted and rarely examined. We do not know what underlies the concepts of family and community stability, particularly during an era of rapidly changing values, but most sense an erosion even though it is difficult to describe. Current policies and services do not appear to have succeeded in stabilizing the neighborhoods and this may well be due to our ignorance of the ethnic, racial, social class and locational factors, the great variety of which characterize our urban life. Both the social and physical planning fields assume a homogeneity that does not exist. Factors that destabilize one ethnic group may not affect another. Institutions effective with one racial group may actually damage another. We seem to understand differences on obvious issues such as language which affect the performance of groups such as the Hispanics, but on more subtle cultural differences we seem to be inhibited in our understanding. It is useful to recall on this point that even the need for bilingual education was resisted on the basis that the recognition of the pluralistic nature of our society was somehow damaging to the American identity.

Major changes occurred over the decade in the sexual composition of the labor force, both for the metropolitan areas and for the neighborhoods. Women are playing a larger role than they have in the past, and, with changing sex role attitudes, their economic role will continue to expand.

Table 23. SEXUAL COMPOSITION OF THE CIVILIAN LABOR FORCE IN 1970, AND CHANGE FROM 1960 IN PARENTHESIS (percentages)

	Male		Female	
Metropolitan Areas	76	(- 4)	42	(+15)
White Neighborhoods	73	(- 4)	42	(+12)
Black Neighborhoods	63	(-17)	42	(+11)
Hispanic Neighborhoods	70		37	

There was a general decline of the percent of males in the workforce, particularly so for the black neighborhoods. The level of the black male labor force was exactly the same as that of the whites and approximately that of the metropolitan average in 1960. It was well below both by 1970. This may be explained by the loss of black males in certain age groups, particularly those 25 years or older. This is perhaps partially attributable to shorter life spans and the great disparity between black males and females who were divorced or separated over the decade. Additional factors could be the migration of the black male in his search for employment if opportunities are not available in his home area, the disproportionate number of black males who enter military service as an alternative to a civilian career, or the disproportionate number of blacks drafted for the war in Southeast Asia.* The lower percentage of Hispanic females in the labor force may be due to their newness to urban life and to language difficulties. White and black females in working class neighborhoods have always been in the labor force in larger percentages than the metropolitan average. This has been equalized by general gains in female employment over the decade. Nevertheless it is evident by the low percentage of black males in the labor force that black women are carrying far greater economic burdens than all other females. It is also clear that married females in the neighborhoods are carrying a greater economic burden than the metropolitan average.

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* The disproportionate number of black males in penal institutions may also be a contributing factor.

Table 24. PERCENT MARRIED FEMALES WITH HUSBAND IN LABOR FORCE IN 1970, AND PERCENT CHANGE FROM 1960

	1970	Change from 1960
Metropolitan Areas	54	+5
White Neighborhoods	45	-2
Black Neighborhoods	41	-9
Hispanic Neighborhoods	43	—

The black neighborhoods, which had approximately the same percentages as the whites in 1960, suffered a large decline in this category. The white neighborhoods declined also as the metropolitan areas gained over the decade. The higher percentage of women with husbands in the labor force in the metropolitan areas implies that there are more families with two adults employed than there are in the neighborhoods. This is probably a contributing factor to the relatively higher incomes for the suburbs and metropolitan areas as a whole. It also implies that if the families in the neighborhoods wish higher incomes they will have to increase their percentage of two member earners, which may not be possible if family disintegration continues to increase in the neighborhoods at a faster rate than the areas in general and if employment opportunities are not expanded.

All of the neighborhoods have higher divorce and separation rates, requiring more single heads of households to work, and they are mainly females. All of the neighborhoods have higher percentages of widowed, disproportionately female, again requiring more single heads of households to work. With the very large number of pre-school children in the black and Hispanic neighborhoods, combined with the low educational attainment of the adults, improving the employment situation is not a likely possibility unless more job training and placement programs are created, accompanied by major increases in the availability of free or inexpensive day care.

This is a truly major problem for women in the working class, center city neighborhoods which has not received much exposure and certainly not a very high priority in the public policy debates of our time. Without greatly expanded support systems it is unlikely that incomes can be increased, child rearing improved or welfare costs reduced in the cities. In the long run this will prove counter productive in both human and fiscal terms, as evidenced by the high out-of-school rates, increasing youth crime, and alarming rates of drug and alcohol use by youth in these neighborhoods. With overburdened mothers, absent or deceased fathers, and the paucity of counseling accessible to these populations the prognosis is not good.

It must be stressed that the white and Hispanic neighborhood women, although not in such severe straits as their black counterparts, are suffering most of the same stresses. This can be seen in three South Boston Irish neighborhoods where 33 percent of families below the poverty level were dependent on public welfare in 1970, a year which preceded the current recession. The vast majority of these families were undoubtedly headed by women. To a lesser extent we found similar situations in French

Canadian neighborhoods in New England and Polish neighborhoods in the Midwest. This problem of women as heads of households under great duress is by no means solely a minority problem in the central cities.

There has been a general rise in divorce and separation, and in the number of single males and females throughout the metropolitan areas.

Table 25. PERCENT OF RESIDENTS DIVORCED OR SEPARATED IN 1970, AND CHANGE FROM 1960

	1970		Change from 1960	
	Males	Female	Males	Female
Metropolitan Areas	4.0	5.9	+14	+26
White Neighborhoods	6.1	8.2	+53	+41
Black Neighborhoods	9.4	17.3	+27	+62
Hispanic Neighborhoods	8.2	11.0	---	---

These are complex data in terms of meaning to the ethnic and racial neighborhoods, but they definitely mean a general increase in family disintegration. This is particularly striking for the white neighborhoods, predominantly Catholic and with strong ethnic identities, which, although with lower percentages than the minorities in 1970, increased in divorce and separation over the decade as much as the black neighborhoods did.

The rate of change for white males was the highest of all, doubling that of the black neighborhoods and almost four times that of the metropolitan average. White females rates exceeded the metropolitan average by more than 50 percent. The rate of increase for black females was very high, half again as much as that of the white neighborhoods and double that of the metropolitan average. It is evident that cultural differences between black and white neighborhoods are significant and preclude simple generalizations. These differences can also be seen within the general category of "white neighborhoods". For example the data for the Polish and the Italian neighborhoods are an indication of this complexity. We included them in the general category of "white neighborhoods", but when we compare them to their general category we find startling deviations.

Table 26. PERCENT OF POLISH AND ITALIAN-AMERICAN RESIDENTS DIVORCED OR SEPARATED - 1970, AND CHANGE FROM 1960

	1970		Change from 1960	
	Male	Female	Male	Female
White Neighborhoods (general)	6.1	8.2	+53	+41
Polish Neighborhoods	6.6	1.3	+50	- 2
Italian Neighborhoods	5.9	9.2	+31	+67

The disparity between Polish and Italian males is not very excessive although it is significant, but the disparity between Polish and Italian females is phenomenal. There are no meaningful differences in the age spectrum for either group. We cannot at this time explain these data but they do illustrate the need for further research on center city neighborhoods, on cultural factors and their family patterns.

It is generally assumed, especially since Moynihan's report on the black family, that those with female heads of households undergo more stress than families with both parents. Combined with poverty this is a very serious problem.

Table 27. PERCENT FAMILIES IN POVERTY WITH FEMALE HEAD OF HOUSEHOLD AND CHILD UNDER 6 YEARS OF AGE

Metropolitan Areas	38
White Neighborhoods	30
Black Neighborhoods	45
Hispanic Neighborhoods	37

The white neighborhoods are experiencing the lowest rates and the black communities half again as much. The Hispanic communities, although new to the urban experience, do as well as the metropolitan areas in this regard. This again indicates that cultural factors may enable some groups to adapt more readily to urban and economic stress than others.

Changes in patterns of employment, divorce and separation all have a major bearing on neighborhood stability, but, in the perceptions of decisionmakers, the age spectrum appears to be of even greater importance. Political leaders, planners and scholars have long held that the white working class and ethnic neighborhoods have become homes for the elderly or senior citizen enclaves. The assumption has been that because of the aging population little can be done to stabilize the white neighborhoods. The study indicates that although the white neighborhoods do have significantly higher percentages of elderly, that this assumption is not based on fact. The age spectrum of the white neighborhoods compares favorably to the metropolitan averages for the various age groups.

Table 28. PERCENT OF RESIDENTS OF FOUR AGE GROUPS - 1970

	0-14 yrs.	15-24 yrs.	25-59 yrs.	60 & over
Metropolitan Areas	29	17	41	14
White Neighborhoods	26	17	40	18
Black Neighborhoods	35	20	36	12
Hispanic Neighborhoods	32	18	37	14

The white neighborhoods do have more elderly than the metropolitan norm but are comparable to the metropolitan average in all other age groups. In fact the metropolitan areas experienced a greater reduction of pre-school children over the decade than did the neighborhoods. The perception of the white working class neighborhoods as excessively aging is perhaps due to comparison with minorities, particularly with the black neighborhoods. Although older than the average the characterization is clearly an exaggeration.

School age children are the crucial question for the future of the neighborhoods. All groups experienced a decline in pre-school age was children during the decade. The reduction of school age children was typical for the nation as a whole by 1970, reflecting the end of the postwar baby boom . In spite of these changes the white neighborhoods differ by only one percentage point from the metropolitan average in the 25 to 59 year old group. The most serious loss for the white neighborhoods was in the 25 to 44 year olds, the primary child rearing age group. All groups decreased in their percentage of 25 to 44 year olds, perhaps due to the declining job markets of the older industrial northern cities, and the shift of population to the Southern and Western regions of the nation which has been general since 1945. But the white neighborhoods declined by the largest percentage.

Urban mobility has been an American tradition of great importance. There are indications that Americans may be entering a pattern leading toward a reduction of mobility due to the limits and excessive costs of growth, both economic and social. Urban areas, particularly central cities, feel the need for social stability to a greater degree than they now have achieved, for not only have they experienced high mobility rates as the rest of the nation has, but have experienced greater change in terms of social class, racial and ethnic identities. However the surviving white neighborhoods appear to be as stable as the metropolitan average.

Table 29. PERCENT RESIDENTS WHO LIVED IN SAME HOUSE IN 1965 AND 1970

Metropolitan Areas	56
White Neighborhoods	57
Black Neighborhoods	52
Hispanic Neighborhoods	45

The white and black working class neighborhoods compare favorably to the metropolitan average, and there are indications that the massive postwar urbanization of blacks is leveling off. It is unlikely that the Hispanic urbanization is at this time.

Table 30. PERCENT RESIDENTS WHO MOVED INTO HOUSE BY 1959 OR BEFORE

	1949 OR BEFORE	1950-1959	Total
Metropolitan Areas	14	18	32
White Neighborhoods	22	16	38
Black Neighborhoods	11	12	23
Hispanic Neighborhoods	11	9	20

As expected the white neighborhoods have the most deeply rooted populations, far more than the metropolitan areas, and the Hispanic the least. This can be seen particularly in the category "1949 or before". The white neighborhoods had one third more residents than the metropolitan average who have been present prior to 1950. The black and Hispanic neighborhoods had one seventh less than the metropolitan average of those in residence before 1950. In spite of the relative newness of the blacks and Hispanics they clearly have a core of residents who comprise a percentage almost matching that of the metropolitan areas in length of residence dating from before 1950.

A final criteria of neighborhood stability is home ownership. It is assumed that those who have financial equity in the neighborhood will make greater efforts to assure stability than those who do not. In working class neighborhoods owning a home is usually the only investment that a family makes, with the exception of an automobile, which rarely appreciates in value. Most working class people do not own businesses, stocks, or bonds. Experience indicates that the retention and expansion of home ownership may well be one of the single most important and effective means of urban stabilization and revitalization. Current national policy is based on the assumption that programs which encourage home ownership are not suitable for the center city neighborhoods, due to their large numbers of poor and low income residents. This assumption is based on the failure of home ownership programs for the minority neighborhoods. Unfortunately this policy of disinvestment has been applied to white neighborhoods as well which have greater wealth and commitment to place than do the minority neighborhoods. There are also income groups in the black and Hispanic neighborhoods who would be good risks if the neighborhoods were more stable. The result has been unnecessary destabilization caused by national policy. As will be documented in the section on Housing we find that the white neighborhoods are midway between the metropolitan average and the minority groups in home ownership. In relation to groups in the city, the white neighborhoods slightly exceed the city average. This further illustrates the inadequate base of factual knowledge upon which national housing and community development policies have been based, and their destabilizing effect on the center city neighborhoods. The policymakers generally believe that the white neighborhoods are areas of high and growing home ownership, which is not the case.

In sum we can say that all of the neighborhoods experienced increases in family disintegration, increased economic demands on females, and a general decrease in home ownership to greater degrees than the metropolitan areas as a whole. These negative developments occurred in spite of the major governmental program efforts of the 1960's. We found that the white neighborhoods are more deeply rooted than the black or the Hispanic, have a more stable population, and contain an age spectrum surprisingly comparable to the metropolitan average.

VI. COMMERCIAL AMENITIES AND HOUSING

Center city neighborhood commercial areas are only now beginning to receive attention as being vital to the future of the nation's older industrial cities. Why this question has been ignored while interest in neighborhoods has grown since 1965 is a matter of speculation. We feel there are two possible explanations. First was the focus on survival issues which was based on the assumption that commercial amenities were minor questions when compared to those of employment, housing, health, and education. Second is the generally held belief that center city neighborhood markets are marginal and excessively expensive to tap. These views are now being revised. The center city neighborhood is not necessarily a marginal market. We have stressed that the neighborhoods, particularly the white with 66% of its population either moderate, middle or upper income as of 1970, all contain significant percentages of the economically stable. Although black neighborhoods retained 47 percent and Hispanic 52 percent of these income groups, these are not inconsiderable markets. But the commercial facilities in these neighborhoods are unable to attract these groups. The social climate in these neighborhoods is the retarding factor, not the amount of internal wealth. If the social climate of the neighborhoods was positive the commercial opportunities would be more widely recognized and exploited.

In discussing the process of neighborhood decline with resident leaders, business people and municipal officials we have been consistently informed that the decline of business corridors usually precedes the decline of the neighborhoods as a whole. The spectre of boarded-up shops and the emergence of enterprises specializing in inferior goods and pornography, combined with the loss of chain supermarkets, chain drugstores, and, on occasion, department store branches, is a severe blow to the neighborhoods. Such developments are serious defeats in terms of losing commercial amenities formerly easily at hand, as well as the lowering of public perceptions of the area for residents, non-resident shoppers, entrepreneurs, investors and lending institutions, and local governments.

There are major exploitable strengths in the neighborhoods from the traditional point of view of investors and planners. Substantial markets are present and the white, black and Hispanic neighborhoods have large numbers of residents employed in highly compatible businesses. In comparison to the suburbs the neighborhoods have much higher residential densities, more public transit, and fewer autos than the suburbs and metropolitan areas as a whole. All neighborhoods want an urban ambience, the creation of which is heavily dependent upon commercial amenities. These are factors which lend themselves to a certain type of commercial development most often found in fashionable middle class neighborhoods. The ethnic identity of a neighborhood is also a potential advantage,as yet unexploited.

Table 31. PERCENT OF RESIDENTS ENGAGED IN THREE INDUSTRIES COMPATIBLE WITH COMMERCIAL DEVELOPMENT IN 1970, AND CHANGE FROM 1960 IN PARENTHESIS

	Retail Trade	Wholesale Trade	Finance, Insurance & Real Estate*
Metropolitan Areas	18.3 (+26)	4.2 (+27)	5.6
White Neighborhoods	18.4 (+27)	3.5 (+11)	5.1
Black Neighborhoods	13.7 (-11)	3.4 (+14)	3.9
Hispanic Neighborhoods	18.0	4.4	4.5

Over one of every four employed residents is engaged in retail or wholesale trade, or in finance, insurance and real estate in the metropolitan areas. The white and the Hispanic neighborhoods are most comparable to the metropolitan average, and the black neighborhoods the least, having only one of every five engaged in business enterprises of these types.

Table 32. TOTAL PERCENT OF RESIDENTS ENGAGED IN THE THREE INDUSTRIES COMPATIBLE WITH COMMERCIAL DEVELOPMENT - 1970

Metropolitan Areas	28.1%
White Neighborhoods	27.0%
Black Neighborhoods	21.0%
Hispanic Neighborhoods	26.9%

Neither the white nor the black neighborhoods matched the growth of the metropolitan areas in these categories of employment, although the whites were more competitive. Economic and cultural factors must be considered. Again research is indicated if we are to understand why the white and Hispanic neighborhoods are so comparable to the metropolitan average while the black communities are declining in the critical category of retail trade and producing such a small percentage engaged in finance, insurance and real estate. Any programs designed to reverse the decline of the center city commercial areas will have to consider that question, as well as the reasons Hispanics are engaged in wholesale trade to a greater degree than any other group, exceeding the metropolitan average, or why Hispanics and particularly blacks are so underrepresented in the finance, insurance and real estate fields.

All neighborhoods have adequate percentages of residents engaged in businesses compatible with neighborhood serving types from which to develop new entrepreneurs, even though many are young and inexperienced. Many of the businesses are aged and obsolete, most are under-capitalized and require staff and management training, and some are operated by highly skilled and successful entrepreneurs. The neighborhood business areas are not a commercial desert, although in danger of becoming so. The vast majority are having a difficult time in competing with the large shopping centers and the central business districts. Some of the difficulty can also be attributed to an apathy and acceptance of perceived decline as well as the failure of efforts to meet competition. In general efforts to compete have not been mounted. Neighborhood organizations in general, as well as planners and political leaders, increasingly understand the importance of commercial amenities to the fate of the neighborhoods, so there is hope.

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* Percent change from 1960 not available

As we have demonstrated the Hispanic and the white neighborhoods are in better shape in these [illegible] than are the black areas. Perhaps the least rewarding employment category is "business and personal services". The black neighborhoods have the highest concentration in this category, but also experienced the greatest decline over the decade.

Table 33. PERCENT OF RESIDENTS ENGAGED IN BUSINESS AND PERSONAL SERVICES IN 1970, AND CHANGE FROM 1960

	1970	Change from 1960
Metropolitan Areas	4.5	-33
White Neighborhoods	4.5	-24
Black Neighborhoods	6.9	-45
Hispanic Neighborhoods	4.5	---

This decline coupled with the gains of black neighborhoods in retail and wholesale trade indicate that even though they are now in the least competitive position, the black neighborhoods are beginning to develop the internal expertise and experience that can lead to an improved competitive position. Although we do not subscribe to the concept that neighborhood residents should dominate their commercial areas in the American economy as we now know it to be, we do believe that it is essential, particularly for the larger neighborhoods, that they have significant numbers of residents engaged in these businesses as owners and operators. Skills are present in substantial degree and the importance of the commercial corridors to the neighborhoods future requires programs to increase their appeal.

In addition to the substantial and largely untapped markets that the neighborhoods represent for their businesspeople, many contain higher percentages of elderly who prefer and often require local shopping, and all of the neighborhoods rely far less on the auto than do the metropolitan areas as a whole.

Table 34. PERCENT FAMILIES WITH AUTOS IN 1970, AND CHANGE FROM 1960

	1970	Change from 1960
Metropolitan Areas	82	+20
White Neighborhoods	59	0
Black Neighborhoods	49	-15
Hispanic Neighborhoods	58	---

Almost one half of the neighborhood families are without autos, while this is the case with only one fifth of the families in the metropolitan areas as a whole. These data have ecological implications.

There is a need to create a process involving the public and private sectors and neighborhood organizations in the gradual upgrading of the business areas. The public sector is crucial in improving parking, lighting, public safety, general design and funding the required technical assistance. Private sector investment and technical assistance is also required. Neighborhood organizations engaged in renewing their areas need to learn how to incorporate business as a high priority in their planning and support the reinvestment of public and private funds for which the businesses have been starved for several decades. Particularly in large neighborhoods the revitalization of commercial amenities is essential to improving the areas.

There is no area of public policy which better illustrates the need for particularistic approaches to what is generally thought of as the urban crisis than housing. Given our data on neighborhoods we are convinced that governmental housing and community development policy has been as damaging to the stability of the neighborhoods as has racial and ethnic hostility, crime and the low performance levels of public education and other services. The great fear now being expressed for the future solvency of municipal governments is not primarily a result of the bureaucratic mismanagement during the postwar period, a period of radical change of the racial and income spectrum of the cities. Neither mismanagement nor social programs caused the urbanization of the poor and the militant social programs of the 1960's. The investments of the anti-poverty, Model Cities, manpower and education programs of the decade were minuscule in comparison to the immense amount of funds invested and generated through our national housing, urban renewal and transportation programs. These programs were also largely responsible for the concentration of the poor in the cities.

It is necessary to seriously question public policies which increased housing vacancies, retarded the growth of home ownership and the improving of the housing stock, while unrealistically raising the expectations of the working classes in the cities. These policies caused substantial financial losses for the workers at the same time that the Federal government was guaranteeing substantial profits for the investment community and the construction industries throughout the entire post war experience of urban renewal, housing subsidy programs and expressway building. Uncounted numbers of stable neighborhoods were destroyed by governmental programs at the same time as the surviving neighborhoods were trying to absorb the massive influx of blacks, Hispanics and Appalachian whites who were ill equiped to meet the requirements or urban life.

The effects of housing and urban renewal programs have been repeatedly exposed through Congressional hearings, published research and the findings of governmental commissions. The failure of the

Federally conceived and directed programs has been conceded, and the burden for creating new approaches has fallen upon municipal officials at a time when the fiscal climate at the local government level is conducive only to caution. The data suggest that caution will have deleterious effects upon marginal neighborhoods in the short term, and will probably preclude any chance of stabilization in the long run. This is predictable in spite of some favorable trends for center city life. Although there is some truth that center city neighborhoods are becoming more attractive to many who would normally go to the suburbs for housing, due to the growing dissatisfaction with suburban life styles, increases in tax and crime rates, the energy crisis and the limits of growth, it is unrealistic to think that the neighborhoods will grow or improve at the expense of the suburbs. The revitalization of the neighborhoods should not be predicated on the decline of the suburbs. What is required at this time are unusual efforts by local political and bureaucratic leaders mounted through newly decentralized authority and resources devolved from and leveraged by the Federal government, limited as those resources may be.

Although the concept is currently out of fashion we still believe that high rates of home ownership provide an anchor for neighborhoods, an element of stability and continuity which contributes a great deal to achieving commitment to community. The home ownership rates of the neighborhoods were well below those of the suburbs and the metropolitan areas in 1960 and declined further by 1970.

Table 35. PERCENT HOME OWNERSHIP IN 1970, AND CHANGE FROM 1960

	1970	Change from 1960
Metropolitan Areas	59	+3
Suburbs	70	-3
White Neighborhoods	43	-4
Black Neighborhoods	28	-17
Hispanic Neighborhoods	23	---

The data indicate that not only was there flight of middle income whites from the cities, but middle income blacks as well, as implied in the high loss of home owners experienced by the black neighborhoods over the decade. Vacancy rates increased slightly for the white neighborhoods and significantly for the black, at the same time as those of the metropolitan areas, the suburbs and the cities declined.

Table 36. PERCENT OF VACANT HOUSES IN 1970, AND CHANGE FROM 1960

	1970	Change from 1960
Metropolitan Areas	3.1	-31
Suburbs	2.2	-50
Cities	4.5	- 6
White Neighborhoods	4.3	+ 4
Black Neighborhoods	7.8	+35
Hispanic Neighborhoods	7.0	---

These increases for the neighborhoods during a period when the larger contexts were decreasing their vacancy rates are ominous and indicate the concentration of decay in parts of the neighborhoods.

The housing values in the neighborhoods represent both an advantage and a problem. The neighborhoods still contain a large amount of low cost housing, an advantage in meeting the needs of low income families, and a problem because the availability of such housing attracts the poor in unusually large concentrations, thus markedly imbalancing the social class and racial spectrums. The neighborhoods even had substantial amounts of housing valued at $5,000 or less in 1970: 12% for the black, 8% for the white, and 7% for the Hispanic. Indeed these neighborhoods are the main locations where the poor can find urban housing. What follows specifically applies to the home ownership issue but we believe the same analysis would apply to the rental markets as well.

We have attempted to correlate income levels and housing values in order to determine the amount of affordable housing for the various income groups. This results in a series of gross measures which can only be taken as rough estimates to indicate relative housing market conditions in the neighborhoods. We caution the reader that the following tables do not represent fine measures and should only be considered as broad indications of the availability of affordable housing in the various geographic entities utilized in this study.

The current rule of thumb for home ownership is that people can afford to spend at a ratio of 2.1 times their income. The ratio was 2.5 times income in 1970. In 1970 the poverty populations of the center city neighborhoods appear to have more available housing priced for purchase within their means than the metropolitan area as a whole. The white and Hispanic poor have double the amount of housing stock to choose from. The blacks also have an edge at this level.

Table 37. COMPARISON OF POVERTY POPULATION WITH AFFORDABLE HOUSING - 1970

	% Housing valued at $10,000 or less	% Population with income of $4,000 or less	% Difference
Metropolitan Areas	10	10	0
Cities	18	16	2
Suburbs	7	7	0
White Neighborhoods	32	16	16
Black Neighborhoods	45	30	15
Hispanic Neighborhoods	55	24	31

The availability of low cost housing is a major determinant of the settlement patterns of poverty populations in the working class urban neighborhoods. The metropolitan areas and the suburbs have precise convergence between housing and income. The neighborhoods have a significant excess of low cost housing. The houses valued at $10,000 or less are not exclusively deteriorated stock. It does not always follow that the quality of housing stock in the neighborhoods is the main determinant of its value. The sub areas of the neighborhoods in which low value housing stock is concentrated are usually highly transient. They are the fringe areas of social change where pathological behavior is most evident. The homeless, marginal urban residents, combined with the newly arrived comprise the basic population of these neighborhood sub areas. A small sub area of this type can have disastrous effects on large and basically sound neighborhoods.

In contrast to the poor the low and moderate income populations have wider choices of housing stock priced within their means for purchase in the metropolitan area as a whole than they do in the center city neighborhoods.

Table 38. COMPARISON OF LOW AND MODERATE INCOME POPULATION WITH AFFORDABLE HOUSING - 1970

	% Housing valued at $10,000-20,000	% Population with income of $4,000-10,000	% Difference
Metropolitan Areas	40	33	7
Cities	51	40	11
Suburbs	37	29	8
White Neighborhoods	44	41	3
Black Neighborhoods	44	42	2
Hispanic Neighborhoods	38	46	-8

The supply of housing in the neighborhoods barely meets the implied needs of both white and black low and moderate income residents, with the Hispanic neighborhoods suffering from a significant deficit.

There is actually a shortage of low and moderate income housing in the center city neighborhoods when compared to the metropolitan areas or to the cities. It is with these income groups in the neighborhoods that policymakers have their greatest challenge in attempting to maintain a reasonable balance of class, ethnic and racial composition. The significant numbers of moderate income neighborhood residents are either occupying housing that should be available to the marginal income, or are doubling-up within their extended families probably in overcrowded conditions. It would appear that retention of the moderate income is problematical, regardless of racial or ethnic identity, if this maldistribution continues. This is particularly true for the child rearing ages.

The middle income, generally thought to be the most essential group to retain for stabilizing the neighborhoods, face the greatest deficit of suitable housing of all income groups.

Table 39. COMPARISON OF MIDDLE INCOME POPULATION WITH AFFORDABLE HOUSING - 1970

	% Housing valued at $20,000-35,000	% Population with income of $10,000-15,000	% Difference
Metropolitan Areas	36	31	5
Cities	24	27	- 3
Suburbs	41	34	7
White Neighborhoods	17	27	-10
Black Neighborhoods	6	19	-13
Hispanic Neighborhoods	3	20	-17

The suburbs and the metropolitan areas appear to have adequate housing stock for this income group, with the cities in a deficit situation. It is likely that there is sufficient housing stock for the upper income in that the city deficit is minimal when compared to that of the essentially working class and poor neighborhoods. The neighborhoods evidently account for the city deficit. These data tend to support the assumption of "redlining".

If the availability of housing priced within the means of the strata of income that comprise the cities is intrinsic to an equitable housing policy and necessary to class and cultural balance, we can safely state that no such workable policy now exists which might achieve such a balance. In general the data indicate that the working class ethnic and racial neighborhoods are suffering more than all other areas from deficiencies in the distribution of housing stock with the exception of their poverty residents. In particular the condition is most similar for the white and the black center city neighborhoods, with Hispanics in the most deprived situation. In fact we can conclude that the neighborhoods are the only areas of affordable housing stock deficiency.

In addition to the imbalance in availability of housing in relation to income the neighborhoods must contend with much older housing than the metropolitan areas as a whole as the 1970 data indicate.

Table 40. PERCENT OF HOUSING BUILT BEFORE 1939

Metropolitan Areas	48
White Neighborhoods	85
Black Neighborhoods	78
Hispanic Neighborhoods	87

In general our findings support the assumption of "redlining", of massive withholding of loans for purchase or rehabilitation of housing. The age of center city housing indicates the need for rehabilitation, funds for which are not readily available. In order for neighborhoods to hold child bearing and child rearing families there must be reinvestment if residents are to upgrade their aging housing stock to acceptable standards.

There must be available loans for purchase and rehabilitation. There is a trend in some areas to return to neighborhoods which contain older housing by people seeking a center city life style, and much of this stock is amongst the most attractive we have, and much is of great cultural and historic value to the nation.

However all of the evidence provided by our data document the consistent refusal of the lending institutions to make loans in neighborhoods which are characterized by a long term decline in housing values, or which are expected to enter a period of decline. The inability of political and neighborhood leaders to develop a sufficient public vision to take advantage of the obvious opportunity to retain a reasonable and healthy mix of social class, racial and ethnic neighborhoods in the nations' older industrial cities is attributable to a psychology of fatalism. Unless this psychological climate is altered to one of hopefulness it will be extremely difficult to prevent further erosion of urban life. To a large extent the negative climate is caused by ethnic and racial tensions, the reduction of which is an essential precondition to urban revitalization.

A FINAL NOTE

Our analysis of conditions in the declining neighborhoods of our older industrial cities confirms the felt need for changes in urban policies. These changes do not necessarily require marked increases in public investment, for public investment strategies have failed to either reduce poverty or racial tensions, which in our judgment are the two primary causes of neighborhood destabilization.

It appears that before new programs or modifying existing efforts in major ways are attempted by Federal, State or local governments, the neighborhoods themselves must create a common position on these issues. There is clearly no evidence from the recent past to suggest that governmentally mandated programs or desegregation decisions will either reduce poverty or racial tensions, and as long as these issues are unresolved no known investment strategies will result in neighborhood stabilization.

It appears from our findings that the self-interest of the working class neighborhoods dictates that they find some means to achieve consensus that is not encumbered by the semmingly intractable problems presented in attaining educational and residential desegregation. As long as these issues dominate the urban policy field there is little or no hope of neighborhood stabilization.

If the current situation persists where white, black and Hispanic working class groups are engaged in continuing antipathetic and essentiall reactive relations there is no possibility of the neighborhoods entering into the required partnership with the public and private sectors.

It is this brute political fact that the neighborhoods and municipal leadership must deal with. Elected officials and private sector leaders need to continue current programs essentially unchanged as long as they are caught in the existing urban political climate. If the climate remains as it is leadership at both the neighborhood and municipal levels will continue to be reactive rather than take the initiative. Leaders only take the initiative if they believe they have a chance of beginning successful efforts.

We believe that if some urban policy consensus is not reached between the working class cultural groups in the neighborhoods that they can only fight rear-guard actions that will only delay further deterioration. Similarly local political and business leadership can only accept that the working class neighborhoods will become or continue to be staging grounds for upward mobility for some of the current residents, and ultimately to be redeveloped, probably for more affluent groups. This may occur even though city planning agencies continue to designate the neighborhoods on their futuristic land-use maps as low and moderate income residential areas. Everyone knows that the center city neighborhoods represent potentially high profit development opportunities, given their prime location.

Our findings indicate an alternative for the future of the neighborhoods. If the white, black and Hispanic neighborhoods can begin to deal with their very similar problems of education, employment, family deterioration, housing and commercial amenities, and, in effect, "make a deal" and create a coalition, then the major precondition for participation of the political and business sectors will have been met. It is clearly to the interests of the political and economic leaders, given their stated values to then fully cooperate with the neighborhoods.

Only a conspiracy theory of the intentions of political and business leaders can justify the view that they wish to continue the current situation which reduces taxable income, continuously increases the costs of services, eliminates or reduces significant markets for private profit, and endangers the well being of all urban residents, regardless of social class, race or ethnicity. It is also clear that neighborhood organizations seeking to stabilize or revitalize their areas need to devote their talent and energy to issues other than intercultural conflict. A resolution is evidently desirable for almost everybody in the city other than that limited number who benefit politically or commercially from the misery caused by instability and chaos.

Such consensus or coalition is possible. Our experience in the field indicates that there are an increasing number of neighborhoods organized or wishing to organize to improve their home areas. There is also evidence of increasing cooperation or coalition of the various working class cultural groups in many cities. These groups tend to avoid dealing with questions of desegregation. Such evidence should encourage the formation of planning vehicles that will include the various neighborhoods and political leadership. If there is to be public leadership initiative it should most likely focus on the creation of such vehicles of an inclusive nature, that is, with significant roles for the neighborhoods.

It is essential to understand that the neighborhoods cannot assume the responsibility of neighborhood stabilization or revitalization without assuming some authority and control of resources which would need to be devolved from municipal government. No neighborhood-municipal government partnership is possible without such devolution. The voluntary groups in the neighborhoods have long assumed responsibility without the needed authority and resources and have achieved only minimal results. Any effective strategy will have to deal with this need.

The paralysis of residential urban renewal and highway construction programs is evidence of the force of negative public opinion. The halting of these damaging programs will not revitalize the cities, but if some means can be found to move from defense of the neighborhoods to initiating new and acceptable modes of renewal, then the older industrail cities may be able to avoid the new urban crisis so commonly predicted.

APPENDIX METHODOLOGY

This appendix is taken from the STATISTICAL VOLUME of WHO'S LEFT IN THE NEIGHBORHOOD: A Report On The Working Class Neighborhoods Of Our Older Industrial Cities, containing all of the tables, including many not utilized in this report, and containing the breakdown of the Hispanic and white groups. This statement of methodology is included for the readers general information, although some parts are only relevant to the STATISTICAL VOLUME.

This project was undertaken in two parts. Data was collected in the fall of 1974 on neighborhoods in Chicago, Illinois; Cincinnati, Ohio; Cleveland, Ohio; Detroit, Michigan; Hartford, Connecticut; Newark, New Jersey; Philadelphia, Pennsylvania; Providence, Rhode Island; and St. Louis, Missouri. This data included basic socio-economic statistics from 1960 and 1970 census information. In May, 1975, the study was expanded to include nine other cities: Baltimore, Maryland; Boston, Massachusetts; Buffalo, New York; Indianapolis, Indiana; Lowell, Massachusetts; Milwaukee, Wisconsin; Springfield, Massachusetts; Toledo, Ohio; and Wilmington, Delaware, and further socio-economic data was derived. Data was collected on a total of 87 neighborhoods.

We utilized census data as the source material in an analysis of neighborhoods in older industrial cities in the Northeast, Middle Atlantic, Midwest, and Border States. The census tract was chosen as the initial unit of analysis and by aggregation of tracts, approximation of neighborhood boundaries was achieved. Using this methodology, and by employment of a computer, variables from the Fourth Count Population and Housing Statistics were manipulated to measure neighborhood characteristics. These characteristics were then translated into percentage form to allow areas of different sizes to be compared.

The neighborhoods were defined by 1970 census tract boundaries, and although some tract boundary changes did occur between 1960 and 1970, the 1960 data was aggregated to take this factor into account. In most cases neighborhood organizations defined the boundaries. In other instances, individuals familiar with the areas were asked to aid in the definition process, and city planning officials often recommended areas of ethnic concentration.

Other important criteria for selection of neighborhoods included an attempt to use ethnically homogeneous areas* so as to produce data reflective of ethnic groups residing within the tracts. For research purposes, this becomes of primary importance in comparing the socio-economic status of various ethnic groups.

Ethnic identity, as tabulated by the Census Bureau, gives only a rough approximation of the ethnicity that would actually be found within a neighborhood. The Census Bureau measures only "foreign stock population", which includes foreign born and the native population of foreign or mixed parentage. Natives of foreign born parentage whose parents were born in different countries were classified according to the country of birth of the father. Natives of mixed parentage are classified according to the country of birth of the foreign born parent. Thus, second generation and "ethnic" is not measured by the census.

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* For the purposes of the research design, blacks are considered an ethnic group.

The ethnicity of neighborhoods in the second nine city phase of research was further documented with the inclusion of "mother tongue" data. A Polish neighborhood in Buffalo, with a 37% foreign stock population contained almost 60% Polish-speaking residents. Thus, the "true" ethnicity of the neighborhoods can only be approximated from the Census Bureau collection techniques.

The 1960 census data did not include Asian, Lithuanian, Yugoslavian, Portuguese, or Spanish speaking ethnic groups. French Canadians and Appalachians have never been measured by the Census Bureau. However, it is possible to determine French Canadians by correlating ethnicity (Canadians) and language (French). "Persons of Spanish Origin" as defined by the Census Bureau in 1970 included persons who spoke Spanish or persons in families where the head or spouse spoke Spanish. Puerto Rican, as an ethnic group in 1970, is a subset of the Spanish speaking category. For the purposes of our study Chicano or Mexican-American neighborhoods were deduced to be those Spanish speaking neighborhoods which were not Puerto Rican. This was supported by other information from local sources which indicated a high percentage of Chicanos in Chicago, Detroit, and Milwaukee.

A similar policy was employed in reference to the four WASP neighborhoods. One neighborhood, East End, was documented as primarily Appalachian.* Unfortunately no data existed on the ethnicity of the WASP neighborhoods in St. Louis, Indianapolis, or Detroit. However, persons familiar with these neighborhoods stated that they do indeed contain significant concentrations of Appalachians.

The category of white ethnic neighborhoods included both neighborhoods with populations of predominantly one ethnic background, such as Italians, Poles or Appalachians, and also included neighborhoods with populations of two or more primary white ethnic groups. Knowledge of these neighborhoods and their churches establishes the primary Roman Catholic identity of most of these areas. Neighborhoods were considered ethnic if the foreign stock exceeded 15%. The Census Bureau suggests that doubling this figure will give the approximate ethnicity of the neighborhood. Using this as the guide the majority of the white ethnic neighborhoods had an ethnic populations of between 40 and 70 percent. Given all these inherent limitations within the research design, the ethnic homogeneity of the neighborhoods still remains strong enough in the 1970 census for concrete conclusions to be made.

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* Michael Maloney, president of The Urban Appalachian Council, addressed the issue of who is an Appalachian in The Social Areas of Cincinnati: Toward an Analysis of Social Needs. "Cincinnati's Appalachian Committee defines an Appalachian as anyone who was born in the Appalachian region (as defined by the Appalachian Regional Commission of the Federal government) or whose ancestors were born there...Anyone who shares in the regional subculture which evolved in the eastern mountains can be called an Appalachian."

With the 1960 data, this is not always true. First, measurement of Spanish speaking and Eastern European ethnic groups was not well established, nor was there any measure of language. The ethnic composition of most of the neighborhoods within the study had remained relatively stable for white ethnic and black neighborhoods, but in the Hispanic neighborhoods this is not necessarily true. This means that the 1960 data and the changes or trends in Hispanic neighborhoods from 1960 to 1970 are highly questionable.

The manipulation of the census data used the Shevsky-Bell method of area analysis, and followed accepted social science research standards. This method, first applied to the Bay Area of California in 1940, consisted of constructing selected data into ratios by census tracts. For instance in the Front Park neighborhood in Buffalo the census data "under five years old" has a ratio of 89. The interpretation of this ratio meant that for every 1,000 persons in the Front Park area 89 were under five years old. By moving the decimal point one place to the left, the ratio was transformed into a percentage. Thus, in the case of Front Park, 8.9% of the population was under five years old. All values of census data in this study were expressed in percentages.

The SMSA (Standard Metropolitan Statistical Area) percentage acted as the primary independent variable, although in some cases the city and suburban ratios were used. The neighborhood data was usually considered the dependnet variable in comparison of characteristics.

Although trending analysis is more comprehensive when more than the minimum of two points are used, inferences based upon the changes from 1960 to 1970 were accomplished by computing percentages of the specific variables. Percent differences were found by subtracting the 1960 percentage from the 1970 percentage. This figure was then divided by the 1960 base variable, and multiplied by 100. For example, in the city of Newark, 20.6% of the labor force was employed in sales or clerical positions. In 1970, this figure was 22.9% realizing an increase of 11.6%. Although speculative this type of analysis provided the statistical data base for assumptions concerning the future trends found within these areas.

The methodology for aggregate percentages (white ethnic, black, Hispanic, city, suburb, SMSA) used in this report was accomplished by compiling the specific geographic variables, and then finding the mean. This procedure is in itself statistically improvident, in that it adds percentages rather than numbers. Nevertheless, the aggregation procedure is still sufficiently accurate for reasonable assumptions to be made concerning the data results.

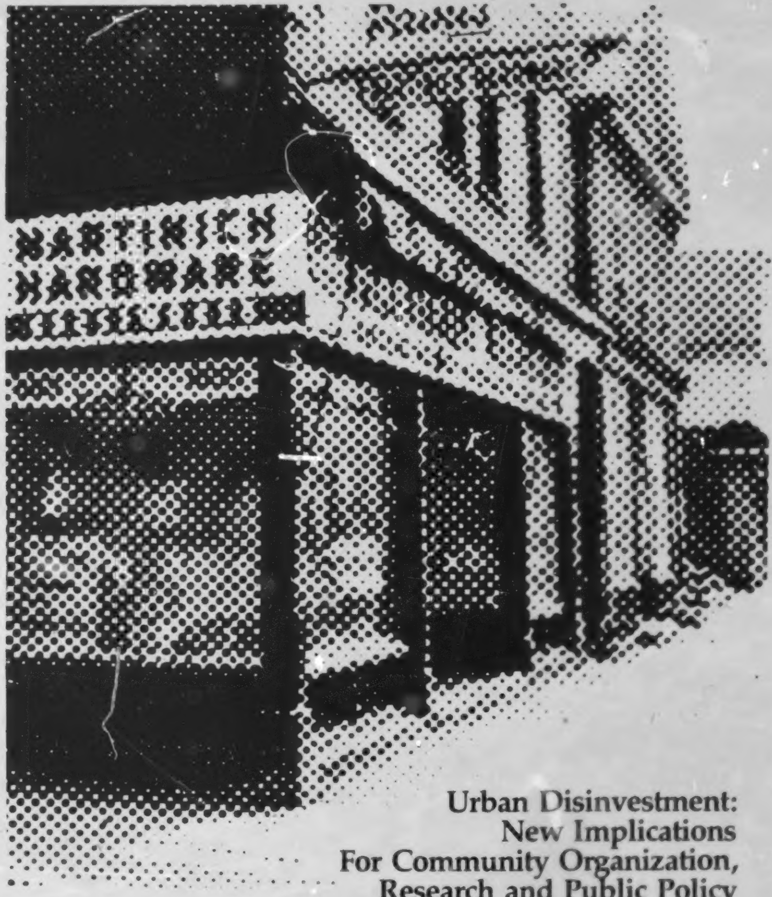
The "white ethnic" composite statistic included all white neighborhoods (53), while the Hispanic neighborhoods (10) included both Puerto Rican and Chicano ethnic groups. A greater distinction within specific ethnic groups was made when individual ethnic groups were aggregated. These aggregations included 23 black neighborhoods, 10 Polish, 10 Italian, 7 Puerto Rican, 3 Chicano, 4 French Canadian, 3 Irish, 2 Hungarian, 2 Slovak, and 4 WASP, probably Appalachian, neighborhoods, one Greek and one Russian Jewish.

The integration of data between the first nine cities and the second nine cities also promoted occasional problems. The two greatest problems incurred were the paucity of educational data derived from the first set, and the marital status definition. In the first nine cities, the category of "separated" was included with "married" persons. In the second nine city data, "separated" is included with "divorced" persons. With the "age" category similar problems of aggregation were discovered, however, neither in the marital status designation nor the age category were these technical difficulties significant enough to affect the final results.

It was possible to collect far more data for the second nine cities than for the first. Because of this some of the aggregate tables are based on nine cities. However eight aggregate tables are based on the second nine cities (Baltimore, Boston, Buffalo, Indianapolis, Lowell, Milwaukee, Springfield, Toledo, and Wilmington). These tables are Poverty Statistics, Number of Weeks Worked in 1969, Residence Five Years Ago, Year Moved Into Housing Unit, Gross Rent, Year Structure Built, Units in Structure and Number of Automobiles. The aggregate tables School Enrollment, Occupation, Employment Status, and Marital Status each have some categories based only on data from the second nine cities. A finer breakdown on housing values was available for the second nine cities so that there are two aggregate tables for Housing Values, one which includes data from the second nine cities only and the other which includes data from all eighteen cities. One aggregate table, Place of Work, was based on data from seven cities: Boston, Buffalo, Indianapolis, Milwaukee, Springfield, Toledo, and Wilmington.

The neighborhoods in the second nine cities tended to be smaller, less educated, more poor, and more ethnically homogeneous. With the exception of one French Canadian neighborhood in the Boston SMSA, they are all located within the city boundaries. The first nine city neighborhoods varied in size, were primarily located within the city, and tended to be more heterogeneous in character.

Given all the procedural limitations and methodological problems which have been discussed, the study still contains a high degree of internal validity, and remains essentially correct in following accepted social science research standards. This report represents perhaps the most comprehensive research in scope and approach to diverse ethnic neighborhoods undertaken to date.



Urban Disinvestment: New Implications For Community Organization, Research and Public Policy

BY ARTHUR J. NAPARSTEK
AND GALE CINCOTTA

A Joint Publication of The National Center for Urban Ethnic Affairs and The National Training and Information Center

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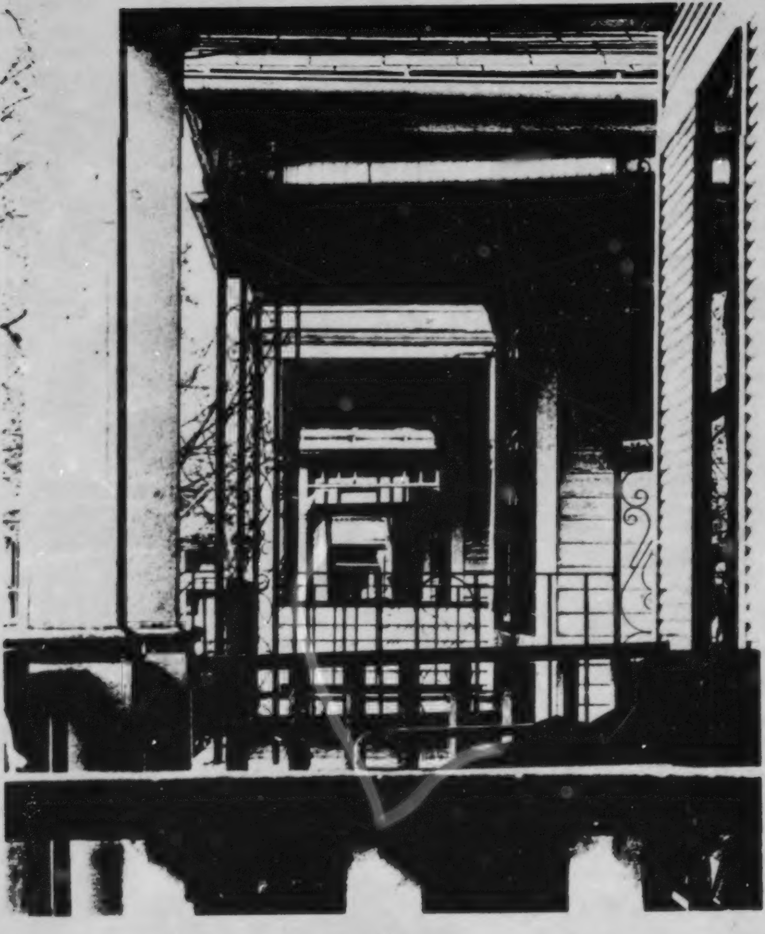


Foreword

"Redlining" is a term that was scarcely known four years ago. But thanks to the painstaking efforts of community groups to preserve their neighborhoods, we now know that arbitrary refusal by lenders to invest in older urban neighborhoods dooms those neighborhoods to a premature death. That process, popularly called redlining, has been documented in scores of cities by community groups that labored in the basements of county courthouses to produce statistics which show conclusively that many neighborhoods were not getting a fair share of mortgage money. And the community groups petitioned Congress for redress.

The documentation was collected in hearings last May before the Senate Banking Committee. It is hard to recall an issue where the impetus for reform came so directly and persuasively from grass roots organizations. So compelling was the testimony we heard that within several months Congress enacted and President Ford signed into law the anti-redlining bill which I sponsored, the "Home Mortgage Disclosure Act." This legislation was passed despite a strong backlash during this session of Congress against new regulatory legislation of any kind.

In many ways, the Home Mortgage Disclosure Act is the best kind of reform legislation because it merely provides community groups and local officials with information, and leaves the precise remedy to the locality. Thanks to this new law, it will no longer be necessary to assemble disinvestment statistics, one mortgage at a time, in order to document redlining. The Act requires every bank or savings institution to give a public accounting of where the community's money is being lent. With this disclosure, it will be much more difficult for lenders to justify writing off entire neighborhoods, as some have done in the past.

In our efforts to enact Federal anti-redlining legislation, members of the Senate Banking Committee received invaluable research assistance from Dr. Arthur Naparstek, and testimony from the National Center for Urban Affairs. It is also fair to say that the disclosure bill would never have become law but for the research and local organizing activity undertaken by the National Training and Information Center under Ms. Gale Cincotta's leadership. The very idea that mortgage investment disclosure would be helpful in the fight to save cities from arbitrary disinvestment came directly from the community groups.

Disclosure legislation should be the beginning, not the end, of cooperative efforts between governments at all levels and community groups to preserve and restore urban neighborhoods. Legislation that grows out of the experience of communities is more likely to succeed than legislation imposed from above. For years, the thrust of Federal legislation for America's cities has reflected the American instinct to tear down the old and build anew. Neighborhood groups that protested the bulldozers were heard dimly, if at all. But as America begins to run out of infinitely cheap resources and suburbs reach their natural limits, policy makers are beginning to hear the people and understand the need for policies that recognize the value of existing city neighborhoods and the need to preserve them.

As Congress gropes for new approaches to the preservation of old neighborhoods, the lead will undoubtedly come from the neighborhoods themselves, as it so clearly has in the successful anti-redlining campaign.

Senator William Proxmire

Preface

With this paper and the recent legislation which the Congress passed this year, we have embarked on what I hope will be a new era in the development of national policy—we have finally recognized the importance of the neighborhood as a basis in public policy formulation. Residential neighborhoods are not simply collections of "real properties" to be regarded without concern for the people, the cultures and the potential economic gain—not drain, they have on a city.

As far back as 1971, when a number of community organizers and urban affairs activists got together following a workshop run by the Catholic Conference for Urban Ministry, we asked ourselves, was it possible to develop a local issue into a national one. This paper and the activity which has taken place around redlining and disinvestment throughout the country, has amply demonstrated how far we have come from asking that question.

A year later, in March, 1972, Black, Hispanic, White and mixed groups from fifty cities came together for a National Housing Conference in Chicago. Together the participants found that the Federal Housing Administration (FHA), the real estate, lending and insurance industries, were largely responsible for the decline and destruction of large areas in the central city.

The 1600 conference participants—politicians, neighborhood activists and housing consumer advocates—learned a great deal from one another and came to the conclusion that black, white and brown central city residents were being exploited by these institutions.

Gale Cincotta of the National Training and Information Center began to do some sophisticated research in Chicago to determine the lending practices of local savings and loan and other lending institutions and the FHA insurance practices. Arthur Naparstek of the National Center for Urban Ethnic Affairs began at the same time to investigate on a national level a number of potential strategies to combat urban disinvestment and redlining.

Slowly, both the National Training and Information Center and the National Center for Urban Ethnic Affairs, found more and more neighborhood people working to combat the problem. The issue began to surface in local newspapers; in state legislatures, and finally, on the floors of the U.S. Congress with the introduction of a bill by Senator Proxmire (D-Wisc), Chairman of the Senate Banking Committee requiring full disclosure by lending institutions of the sources of their assets and the placement of loans. Two similar bills were sponsored by Congressmen Moakly (D.-Mass) and St. Germaine (D.-R.I.).

Prior to the Congressional hearings on redlining, community groups were mobilizing to take action in their cities. The U.S. Department of Housing and Urban Development (HUD) began to take another look at the problems of the neighborhood. HUD, along with the Federal Home Loan Bank Board supported a 20-city urban reinvestment program modelled after the Pittsburgh Neighborhood Housing Services program.

Concern and action to help resolve the problems of redlining and disinvestment spilled over into hundreds of local neighborhood organizations which suddenly saw the same pattern of institutional bias and neglect in their communities.

The Catholic Church, concerned about the welfare and stability of the neighborhood began to join others in expressing an awareness of this growing problem. The Campaign for Human Development of the U.S. Catholic Conference sponsored a project involving support for anti-disinvestment programs in the cities of Cincinnati, Boston, Chicago and Washington, D.C. Most recently, the National Conference of Catholic Bishops affirmed their support for anti-disinvestment procedures. The Bishops, in a statement titled "The Right to a Decent Home" affirmed their support for anti-redlining or anti-disinvestment practices. Said the Bishops ". . . . discrimination based on geography is as destructive as other forms of discrimination. We must insure fair and equal access to available credit."

The document which follows addresses a fundamental cause of urban deterioration and lays the groundwork for the challenge that lies ahead—the development of the re-investment procedures to aid declining neighborhoods. I feel this document is particularly important because it represents the melding together of national and community based perspectives on a specific issue.

Hopefully this paper will initiate a whole series of actions that will culminate in a national urban neighborhood policy that would look at all the factors that have an impact on neighborhoods, and develop the kinds of solutions necessary to revive our declining but still viable urban neighborhoods. It is hoped that this paper will be used by various community and church organizations involved in the problems of declining neighborhoods in declining cities.

Special thanks and a great deal of credit for this paper must be given to the staffs of NCUEA and the National Training and Information Center. Thanks are also in order for the Campaign for Human Development and the Ford Foundation for their interest in and financial support for this project. Without them, this neighborhood issue would never have reached the national policy level.

Msgr. Geno Baroni, President
National Center for
Urban Ethnic Affairs

Urban Disinvestment: The Road to Decline

Since 1933, housing and community development legislation worth billions of dollars has been enacted into law. Programs directed at halting the physical deterioration of American cities include Public Housing, the FHA (Federal Housing Administration), Urban Renewal, Model Cities, and more recently, Revenue Sharing, Community Development Revenue Sharing (CDRS) and housing allowances, to name a few. Plans have been undertaken at every level, from the local to the national, to preserve both the fact and the spirit of our cities. Yet in 1976, American cities are still confronted with enormous difficulties: middle-class populations flee to the suburbs; economic and tax bases erode, crime increases, and the quality of life continues to decline. The housing crisis is expanding and now touches almost every major urban center. Why, after so many programs and so much attention, do these problems persist? Why are our cities in greater trouble now than ever before?

The problem of urban decline is a complex one. Government policy analysts, academicians, journalists and others agree that it is caused by a number of converging factors including the effects of intrametropolitan job dispersal, the breakdown of municipal and state fiscal systems, housing obsolescence, demographic changes, and real estate management policies.

Despite such analyses, however, urban policies and programs have largely failed. We believe that while these factors are indeed significant, the principal reason for these failures is that the systemic origins of urban decline have not been clearly recognized. The requisite preconditions for effective change have not been met. Instead of perceiving that the deterioration of our cities is rooted in certain institutionalized policies, attitudes and practices, the tendency has often been to respond to symptoms. For structured into the system in most cities are processes which lead to discrimination and inequity. The former is directed towards race, the latter towards the physical properties of the neighborhood. One discriminates against individuals; the other discriminates against entire communities. When either of these is operating, we can expect tensions between the races to increase, and the decline of the city to accelerate.

A second reason for the persistent failure of such programs has been the tendency to perceive the problem on a grand scale. Virtually all efforts to halt the decline of our cities are marked by a failure to define national policy initiatives which serve the varied needs of differing *neighborhoods*. If we are to speak realistically of preconditions required for effective change, it must be recognized that the neighborhood—not the sprawling, anonymous metropolis—is the key. In real terms, people live in neighborhoods, not cities. In real terms, their investments, emotional as well as economic, are in neighborhoods, not cities. And the city cannot survive if its neighborhoods continue to decline.

Purpose and Assumptions

This publication addresses redlining as part of the larger problem of urban disinvestment. Its purpose is to discuss the redlining dilemma with special emphasis on establishing linkages between the private, public and community sectors. It will define and examine redlining in terms of cause, effect and inherent strategies for change, and provide case histories which illustrate both its consequences and workable options for its elimination. Finally, it will provide specific recommendations for dealing with redlining at the local, state and national levels, with primary emphasis on options for organizing local citizen efforts to combat it.

There are four basic, formative assumptions underlying this perspective on the nature of urban disintegration and the preconditions requisite for ending it. The first of these assumptions is that the roots of urban decline—and attendant problems such as vandalism and widespread health hazards—are systemic. Until these problems are seen as the result of inequities built into the social fabric, programs at every level and of every magnitude will result in only limited success.

A second, related assumption concerns certain preconditions which must be met if even the minimal climate for effective change is to exist. For example, since the availability of credit has a direct bearing on the quality of urban life and the net effectiveness of urban government, credit policies constitute a major precondition. Adequate credit policies, supported by law and enforced by both the public and the private sectors, must exist to insure that the challenge of neighborhood revitalization can be met.

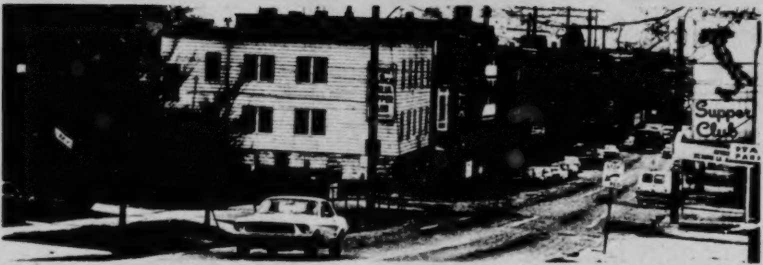
As mentioned earlier, a third assumption made in this publication is that the neighborhood is the real arena for action to revitalize the city. As a political, geographic and programmatic component of the metropolis, and as the repository of human economic and emotional investments, the neighborhood is the logical building block for revitalization efforts.

The fourth, and equally important, assumption is that needed systemic change can be fostered at the grass-roots level. Contrary to popular belief, citizen organizations have a long, honored position in American life. The philosophy of a citizenry united to effect change is at the very heart of our politics, and is one of the most direct, economical and effective means to maintain a satisfactory quality of life. The fact that redlining has come to be recognized in many quarters as a factor contributing to urban decline, is due largely to organized citizens concerned about the condition of their lives, neighborhoods and cities. As this publication will show, the efforts of a variety of citizen organizations provides a clear indication that disinvestment is susceptible to grass-roots pressures, and can lead to partnerships between the citizenry, the public and the private sectors.

The Cycle of Decline

Disinvestment is literally a series of progressive steps by which area lending institutions extricate themselves from neighborhoods they predict will deteriorate. Among the principal tactics in disinvestment is *redlining*. Thus termed because more blatant practitioners draw red lines around target neighborhoods on area maps, redlining may consist of outright refusal to accept mortgage or home-improvement loan applications. Or it may involve a number of subtler actions: awarding mortgage loans on inordinately short terms with high downpayment requirements; refusing to lend on properties older than a prescribed number of years; stalling on appraisals to discourage potential borrowers; underappraisals; refusing to lend in amounts below a fixed minimum figure, and charging inordinately high closing costs, to name a few. As a policy, it is defended on the grounds that investment in high risk areas is equivalent to mismanagement of depositors' funds, and is ultimately counter-productive, both for the depositor and for the lending institution.

In practice, however, redlining is less a protective action against unnecessary financial risk, and more a self-fulfilling prophecy of decline for specific neighborhoods. First, the decision to "redline" is based on a *subjective* assessment of the likely effects of *(1)* race or ethnicity, *(2)* age of the housing stock, and *(3)* the potential for financial



loss in a given community. Second, that assessment is often made both prior to evidence of actual decline, and without reference to such factors as residents' credit ratings, the current condition of the housing stock regardless of age, and the viability of the community as a whole (including its ability to attract new buyers and the solvency of its businesses).

Consequently, it can attack healthy communities. And because the immediate result of the decision to redline is the withdrawal of monies required to maintain that community's health, disinvestment insures that decline will, in fact, occur. Local depositors living in a redlined area find that their savings, instead of being converted to mortgage and home improvement loans for local use, are directed to other, less risky areas—usually new suburbs. Thus the residents of redlined neighborhoods are doubly victimized—both by the banks' insuring their neighborhoods' gradual decline, and by its depriving them of the rightful use of their own savings. Bound inextricably to governing credit policies and to the fiscal well-being of urban centers, redlining, in short, has destructive, long- and short-term consequences, both for inner-city residents and their cities.

Testimony before the Senate Committee on Banking, Housing and Urban Affairs (May, 1975) concerning the industry's mandatory disclosure of its lending data, is replete with concrete examples of the disinvestment process and its effects. One helpful way to understand its operation is to trace the experience of a typical neighborhood, beginning with the disinvestment decision, and ending with its final consequence. Condensed and paraphrased, the testimony of Mr. Theodore Snyder, of the Milwaukee Alliance of Concerned Citizens, provides a very clear description of the phases of deterioration initiated by a decision to disinvest.[1]

Phase I: *The Healthy Community*

The neighborhood is characterized by housing stock in excellent condition, by ready access to conventional mortgage money and home improvement loans, thriving local businesses, and good city services.

Phase II: *The Decision to Disinvest*

Pace-setting city-wide depository institutions and some local savings and loan associations set stringent loan requirements for that neighborhood, and indicate a preference for granting mortgages on new houses in the suburbs or other parts of the city.

Phase III: *Redlining*

Participating depositories determine to act more aggressively to channel money to other areas. The target neighborhood is "redlined", or formally selected for disinvestment. Mortgages there are offered only under harsh terms (excessive down payments, higher interest rates, short loan life, etc.), or are refused outright. Institution officers justify their decisions to cut back on funding in the redlined area by claiming to perceive the risk of deterioration. Real estate appraisers, employed by the savings institutions, confirm the risk on the basis of subjective criteria. The analysis becomes a self-fulfilling prophecy. Loans cut off from the neighborhood insure that the housing stock will decline. Home repairs and improvements are left unattended. General confidence in the neighborhood is undermined. Potential buyers go elsewhere for loans, and find themselves steered to other, "safer" neighborhoods.

Phase IV: ***The Rise of FHA Insured Mortgages***
Savings institutions concur in the decision to redline the neighborhood, and shortly conventional loans are considered to be "too risky." Inevitably, all the neighborhood properties are financed under FHA 100%-insured mortgages. Realtors, speculators, brokers, and big institutional investors, accustomed to the complexities of the FHA mortgage process, move in.

Phase V: *Decline*
The neighborhood is "turned over" in a few years. Property values decline, while taxes are higher, relative to the value of the properties. Absentee landlordism flourishes, and with it, the incentive for property maintenance disappears. Insured FHA mortgages compound the loss of incentive for property maintenance. Building abandonment increases. Crime increases. City services decline.

Phase VI: *Urban Renewal*
The redlined neighborhood is by now completely blighted. The city sells the property to well-connected developers, and large-scale, profitable projects are begun. Conventional financing reappears for the new developments, and the cycle is begun again.

The cycle of decline described above suggests the influence of several interrelated issues:

(1) That certain factors will likely emerge as common to redlined inner-city neighborhoods: e.g., residents' racial/ethnic makeup; age of housing stock and residents' income levels.
(2) That systemic attitudes related to racial/ethnic minorities and lower- and working-class poor help to shape disinvestment policies, and that institutionalized self-interest is among the factors that inhibit effective industry response to the urban dilemma.

Since data on the lending patterns of savings and loans are limited, it is as yet impossible to present a precise statistical relationship between such factors as race, ethnicity, age of housing stock, level of income or proximity to ethnically transitional areas, and disinvestment/redlining. While we acknowledge the fact that until such data exist in full, these relationships cannot be fully documented, nevertheless, **it is apparent that they are key factors in the decision to disinvest.** This is not conjecture. Available statistics point directly to the impact of race, age of housing and income level upon redlining and the resultant disinvestment.

No one, including statisticians, is prepared to accept numerical data alone. Narrative documentation—case histories, for example—abounds to support the conclusion that disinvested neighborhoods tend to share three fundamental characteristics:

1. If the neighborhood is not already predominantly black or ethnic, the population is shifting toward a non-white majority, or the neighborhood is in close proximity to predominantly black/ethnic areas;
2. The housing stock is more than 15 years old; and,
3. The residents may be from many income strata, but are primarily in the low- to moderate-income brackets.

It is important to examine each of these conclusions in some detail.

Race and Ethnicity

Virtually every major document on the subject of disinvestment, redlining and disclosure is crammed with references to the relationship between the residents' race/ethnicity, and the decision to disinvest. Contained in the record of the 1975 hearings on the Home Mortgage Disclosure Bill (S. 1281), for example, is a statement which serves as a small bibliography of studies, linking the two:

> A series of studies by the Committee of the Judiciary, U.S. Senate, the U.S. Civil Rights Commission and the National Committee Against Discrimination in Housing on the degree of conventional mortgage lending in major American cities in the last decade has revealed the decreasing commitment on the part of commercial and savings banks and savings and loan associations to underwriting single-family residential mortgages in areas undergoing racial transition, areas that soon would be in transition, or areas already dominated by minority groups.[2]

But these are not by any means the only such reports. In the wealth of material on the disinvestment problem, two studies focusing explicitly on the statistical correlation between race/ethnicity and disinvestment have attained an almost classic status: Karen Orren's *Corporate Power and Social Change*, and Richard J. Devine's *Where the Lender Looks First*. These studies examine

Testifying before Senator Proxmire's Committee.

Chicago and the Bronx, New York (respectively), and conclude significantly that as the racial/ethnic composition of a neighborhood increases, the chances for its being disinvested also increase.[3]

A third study of disinvestment patterns arrives at roughly the same conclusion. Entitled *Regulatory Agencies and the Redlining and Disinvestment Process*, it documents the difficulty of coming up with a truly workable definition of redlining, and notes that the working definition in use by the Federal Home Loan Bank Board (FHLBB) refers to

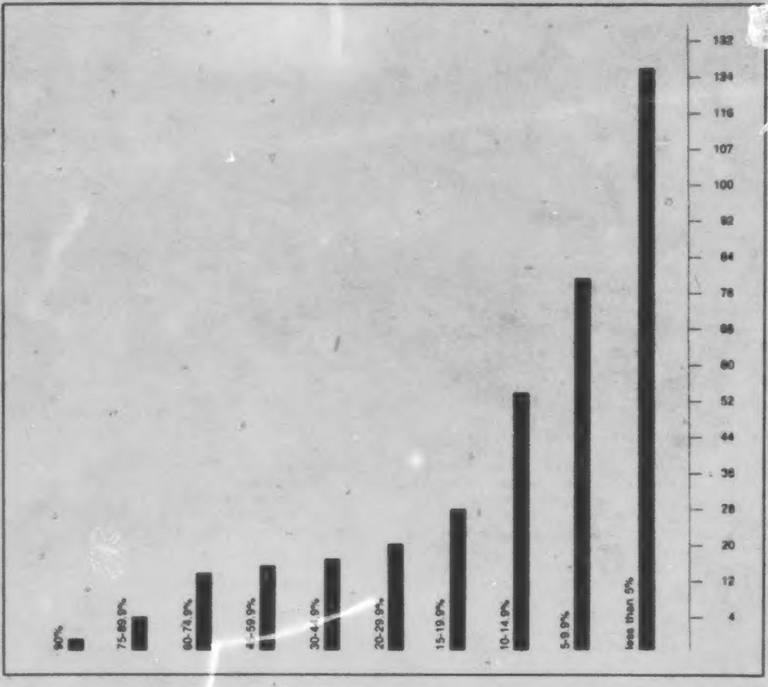
> geographic discrimination in lending only where there is a clear case that the area in which the property is located is characterized by a higher minority population than other communities adjacent to such a minority community who might also be redlined but do not have a high minority population.[4]

Concern for arriving at an adequate definition of the redlining process is significant here for two reasons. First, by its own working definition, the FHLBB acknowledges the fact that race is or is likely to be a major factor. Second, the FHLBB definition ignores the fact that the presence of a majority of blacks in a neighborhood is not the only way in which race relates to disinvestment; even proximity to a majority of non-whites can result in a neighborhood's loss of funds through redlining. This is borne out in a case study cited by Paul Boyd, Co-Chairperson of the Oak Park Community Organization, an active member group in the Chicago Metropolitan Area Housing Alliance:

> In March 1972, a woman in southeast Oak Park applied for a second mortgage to Tri-City Savings—where she had her savings and her first mortgage. She wanted to replace an old furnace. She was told that she would not be given a second mortgage and that if she were smart, she would sell right away because of the possibility of racial change in an adjoining area.[5]

Table I

Lending to Hispanic Population (Mortgage Dollars per Capita



Source: S. 1281, U.S. Senate Banking Committee, *Hearings*, II, 1073.

It is unfortunate that more data are not available showing the causal relationship between race ethnicity and mortgage disinvestment. But the available data suggests a correlation between race ethnicity and its impact on the decision to award mortgage and or home improvement loans in urban neighborhoods.[6] For example, a study of the lending patterns in Los Angeles, California, supports the conclusion that ethnicity also matters very much in the lender's decision about where to invest.

The following statistics, presented as testimony in the Senate Committee Hearings, describe lending in Washington, D.C. between 1972-1974, and point to the same pattern:

- Only 36% of the total D.C. loan volume went to eleven zip codes with an average of 88% black population;
- Nearly one-half of the loans to these zip code areas (15%) went to Capitol Hill neighborhoods (20002 and 20003) with a rapidly increasing white population;
- Four predominantly white (97%) zip code areas (20007, 8, 15, and 16) representing only 14% of the city's population, received 40% of the total volume of D.C. real estate loans. Zip Code 20016, representing only 3% of the city's population, received 16% of the city's real estate loan volume and the average loan size was $72,500. The average loan size in the four black zip code areas referred to above amounted to only $22,300.[7]

Similarly, a comparison of Northeast and Northwest Philadelphia between 1960 and 1970 shows that:

- . . . the percentage of mortgages granted in the northwest area by institutional lenders has decreased from 73% of the total in 1960 to 20% in 1970. During the same period, the percentage of mortgages granted in northeast area by institutional lenders as fluctuated between 70 and 90% . . . .[8] And,
- . . . an examination of census data reveals in no uncertain manner that (while the two areas do not differ substantially in stability of income, level of employment, educational level and other key variables), northwest area and northeast area do differ with respect to racial composition. The non-white population in northwest area increased from 18% in 1960 to 46% in 1970. In the northeast area, non-whites numbered only 33 out of a total population in 1960 of over 100,000 and the 1970 census showed only 168 non-whites out of approximately the same total population.[9]

Moreover in Chicago:

- . . . there is a clear trend in the relocation patterns of Chicago savings and loan associations: on the average, associations relocated from Chicago community areas and suburbs with higher percentages of non-white residents to communities with lower percentages of non-white residents. By 1960 census measures, associations moved from community areas with an average of 10.2% non-white residents to communities 3.7% non-white. By 1970 census measures, the former office community areas had a non-white residency of 22.5% and the new locations had an average non-white residency of 4.7%.[10]

Related to these considerations is another series of consequences affecting those who live or want to live in changing and/or minority neighborhoods. The first is the forced use of private financing. As noted by George Sternlieb, citing Frederick Case, there is evidence to suggest that in one area at least, home buyers who utilize non-institutional financing pay 8-12% higher lending costs than those associated with institutional loans.[11] Thus the forced reliance on private financing that accompanies disinvestment doubly victimized minorities, and these abuses are so pronounced that such lending devices are known as "the Black Tax."[12]

A second consequence of conventional credit denial forces dependence on the complex FHA process. An excellent study, prepared by the Baltimore Department of Housing, Community Development and Planning, points to the large proportion of FHA-insured loans in areas in which conventional financing is absent.[13] The significance here is simply that discrimination based on race/ethnicity is not always merely a matter of outright refusal to lend. Often, in fact, it is effected through the overuse and abuse of the FHA mechanism, a public insurance program characterized by high foreclosure rates due more to its complexity and poor administration than to the negligence of the mortgagor.

A third consequence is the practice of "underappraisal." A report entitled, "Home Mortgage Financing and Racial and Economic Integration," prepared by the U.S. Commission on Civil Rights, contains among its findings that "a professional appraisal form used until the early 1970's inquired whether a neighborhood's ethnic composition was changing. If such a shift was occurring, the value of the property would be lowered for appraisal purposes."[14] Since such an appraisal is made for mortgage purposes, "underappraising" effectively means that the potential buyer must come up with a larger downpayment, or a second or third mortgage.[15]

Age of Housing Stock

A second characteristic common to many disinvested neighborhoods is the age of their housing

stock. The effects of the relationship between age of stock and disinvestment are complicated, first because housing age disinvestment discriminates against whole neighborhoods regardless of their occupants' ethnic origin. And at the same time, since most urban industrial cities in the Northeast and Midwest have large working-class populations living in relatively old residential structures, redlining such neighborhoods becomes not only a race issue, but also a class issue. For instance, in Chicago it has been found that:

> there is a high correlation between the disinvestment from many of these Chicago-area communities and the movements of black and Spanish-speaking people into previously all-white neighborhoods. But disinvestment is not limited to neighborhoods which have experienced racial transition or may face such change in the near future. *Some savings and loan associations appear to be disinvesting older, well-maintained neighborhoods located a considerable distance from racially changing neighborhoods.*

The testimony before the Senate Banking Committee on the Disclosure Bill again is crammed with case studies documenting disinvestment in specific neighborhoods. Even a cursory examination of their characteristics shows that age of housing stock is a common denominator. Continuing his testimony in behalf of the Milwaukee Alliance of Concerned Citizens, Mr. Snyder cited the West Side of Milwaukee as the victim of disinvestment, and noted that "most of the homes are between 40 and 70 years old." A spokesperson representing the National People's Action on Housing, Metropolitan Housing Alliance of Chicago, made the point in her testimony in another way:

> Why the redline? Because the community is old. My house is 35 years old. The home the Erbes wanted to buy is 20 years old. By the way, the White House is over 150 years old. We hope that President Ford doesn't need a mortgage loan at some time.

Apparently, then, the age of the housing stock as a factor in disinvestment is not only weighted without regard to relevant characteristics such as maintenance, but is also an alarmingly subjective criterion. It is by no means clear how the savings and loan officials arrive at the decision that a house is "too old" to warrant a loan. Is 20 too old? Is 35? Or is the cut-off 40 years? The point is

simply that it is doubtful whether the industry has an established formula for determining the cut-off and it is certain that the public does not. Indeed, in a paper on redlining, the National Training and Information Center includes in its glossary the reference "Effective Age of Property," a phrase in wide use among depository institutions. According to the Center, it is defined as:

> A term used by lenders to differentiate between the actual age of the property and an 'age' which considers the condition of the house, the neighborhood and other prejudices of the lender. It is often used as an excuse for not lending in a redlined community.[19]

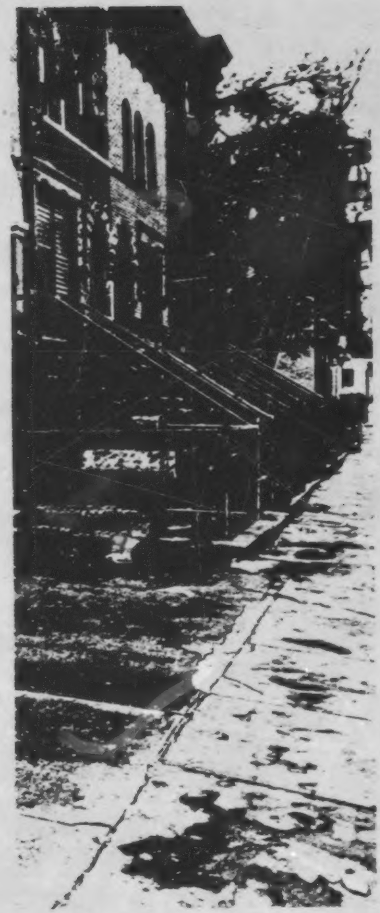
That any criteria, apart from actual, chronological age and actual physical condition of the parcel, exist, points to widespread discrimination based on age of the housing stock. And equally to the point, the Center, in struggling to come up with a factual definition of the term, could only arrive at the loose, imprecise definition above. This suggests very clearly that the term is loose because usage permits the lender to insert any/all of his/her biases in its application. "Effective Age of Property" and like "criteria" are essentially jargon for refusal to lend on unfounded grounds.

As in the case of the impact of race/ethnicity on the decision to disinvest, discrimination on the basis of age of housing stock takes other forms than mere outright refusal to fund a mortgage. Frequently it takes the form of insupportably higher costs and/or shorter terms. Included as evidence for the need for a disclosure law is the following case history:

> A resident of the Westside in Milwaukee who was told she could obtain only a mortgage with a 12-year term . . . related that:
>
> . . . she asked why such a short life for the loan. The loan officer said, "It was determined by the age of the property and by its location." She asked how far west she would have to go to get a longer life loan, because she wanted to stay in the Westside. He said, "Go west of W. 60th and then we can talk 20-25 years."[20]

Finally, the relationship between age of housing stock and disinvestment is documented in statistics as well as in narrative data. In a paper prepared for the Disclosure Hearings, the Indianapolis Coalition to End Neighborhood Deterioration points out that in 1974:

> . . . the First Federal Savings and Loan of Indianapolis lent $41.00 in areas not redlined for every $1.00 invested in our older neighborhoods. More dramatically, not even 3% of the mortgage money studied was invested in our communities. 33 out of 895 mortgages were made in the older areas. . . . For Arsenal Savings and Loan, the ratio was $1.00 to the older city, $37.00 outside redlined areas. In 1974 Arsenal granted 152 mortgages, 7 for the older areas, 145 for the rest of Marion County.[21]



Similarly, a report prepared by the Chicago Metropolitan Area Housing Alliance included the following statement:

> Another Oak Park resident, Bruce Samuels, went to Bell Federal Savings and Loan, in downtown Chicago, a billion dollar savings and loan, which 20 years ago actively solicited mortgage loans in Oak Park. The applicant, with good credit and an established job, was told by Bell Federal's staff that the house was "too old" for a conventional loan on standard terms. Yet this is a very solid, well-kept 55-year-old stucco-sided home. *We subsequently verified by the acknowledgement of Bell Federal that Bell Federal refuses loans on any house over 15 to 25 years of age*—this is a billion dollar savings and loan—thus effectively boycotting almost all of Chicago and the established inner-ring suburbs around it.'[22]

Although the sources from which this publication was compiled contain some statistics and a wealth of narrative data relating age of housing stock to redlining, they contain virtually no instances in which housing stock age has been examined as an independent variable. Despite the absence of a good data base, solid evidence for the relationship exists in the way public officials view the problem. For example, the hearings record contains a letter from Robert R. Elliott for Carla A. Hills, Secretary of the Department of Housing and Urban Development, to Senator Proxmire. The letter, *in effect*, limits the hearings to the problem *older urban neighborhoods* undergo with respect to mortgage availability:

> The Department of Housing and Urban Development shares the Committee's concern for maximizing utilization of the nation's existing housing stock. Pursuit of this objective requires that the Executive Branch and the Congress seek to develop techniques for preventing, limiting and reversing decline *in older urban neighborhoods where a substantial portion of our existing housing stock is located.*[23]

A letter from Frank Willie, Chairman of the Federal Deposit Insurance Corporation (FDIC) to Senator Proxmire, also *assumes* that the bulk of testimony on the disclosure bill will concern older areas:

> S. 1281 is basically disclosure legislation which would require all 'depository institutions' which make 'federally related mortgage loans'

> . . . to accommodate certain data regarding such loans and certain data regarding savings accounts. . . . it is intended that the availability of this information would inhibit 'redlining' and promote urban rehabilitation, *particularly in older neighborhoods.*[24]

Clearly, neither Hills' nor Willie's assumptions would have arisen had the problem of disinvestment *not* centered primarily in areas characterized by older housing stock.

A related point of further concern can be found in a relatively new regulation enacted by the FHLBB. Consider the following:

> . . . refusal to lend in a particular area solely because of the age of the homes or the income level in a neighborhood may be discriminatory in effect *since minority group persons are more likely to purchase used housing*, and to live in low-income neighborhoods.[25]

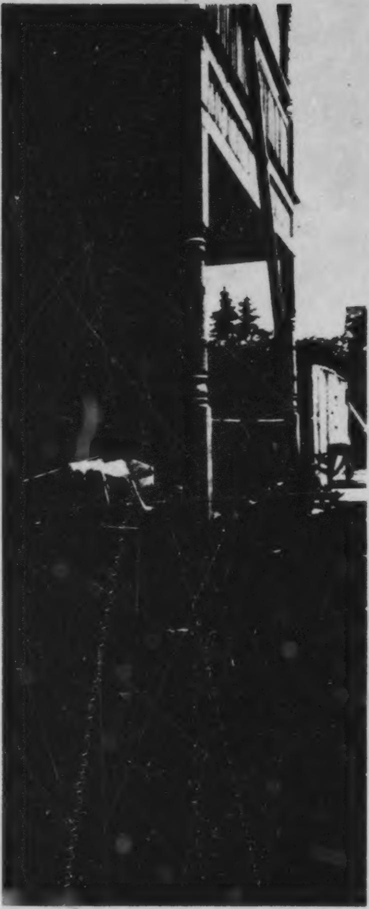
What this regulation cautiously implies is the probable connection between race/ethnicity and age of housing stock as factors in the disinvestment decision. It further suggests the relationship between level of income (class standing) and disinvestment, a point articulated above.

Income Levels

Examination of available source materials suggests that income level is also a key element in determining the extent and impact of redlining. Again, lower-income persons are likely to live in less expensive, older housing, and thus tend to request relatively small mortgages. Bankers, however, are reluctant to make small mortgages. George Sternlieb, in quoting a finding of the U.S. Civil Rights Commission, stated the following:

> Another reason for the inadequacy of funds for low-income housing, is its relative unprofitability for financial institutions handling these loans. A financial institution with $50,000 to lend generally does better to create two loans of $25,000 each than five loans of $10,000 each since the cost of handling mortgages varies directly with the number of mortgages and not with their dollar value. The fewer the mortgages an institution must service, the smaller the staff and the less time is necessary to maintain the accounts.[26]

Bankers interviewed in Oakland and Milwaukee noted that while it is good business to take in



small deposits, it is not good business to loan to small borrowers.[27] One mortgagee in Milwaukee stated outright that "I do not grant loans for under $16,000."[28]

Testimony from community leaders and city officials given during the recent Senate hearings on disclosure suggests a strong relationship between redlining and level of income. For example, Robert C. Embry, Jr., Commissioner of Housing, Baltimore, Maryland, stated:

> 'Lending policies relating to the size of loans eliminated a substantial portion of Baltimore City transactions—the prevailing policy being 'no loans under $15,000'—where 75 percent of our residential market is under $15,000.'[29]

Data from East Los Angeles, California make much the same point:

> The comparison with the richest areas of the city is staggering. Beverly Hills had during these five months thirty loans per tract, and $617 per capita in single family loans, compared to East Los Angeles' $.56.[30]

Such reports make a clear case for the argument that redlining is related to level of income—in a manner which discriminates by proximity (the refusal to loan in areas marked by low- to moderate-incomes, regardless of the financial qualifications of the applicant), and on the basis of mere size of loan requested. A graph from Los Angeles, shows a distinct correlation between median family income, on the one hand, and concentration of mortgages by dollar-value in the poorer inner-city and the wealthier suburbs, on the other. As the report authors note:

> Comparisons of per capita lending with income levels in Los Angeles show even sharper discrimination (than that based on race). Areas with a median family income of over $25,000, had four times the per capita loan dollars than the next highest income category, and *900 times the loan dollars than the lowest income areas.*[31]

The significance of these figures, as the authors point out, is that a simple dollar-value comparison of lenders' records is apt to be misleading. Whereas one lender may make a total of $100,000 in mortgages, he/she may do so in only four mortgages; another lender, making mortgages in an equivalent amount, may grant twenty loans. But these figures also show quite clearly that lenders concentrated in extra-city areas where the median income tends to be high, and ignored the inner-city, where median incomes were lower. As the Baltimore Housing Commissioner noted in a similar study:

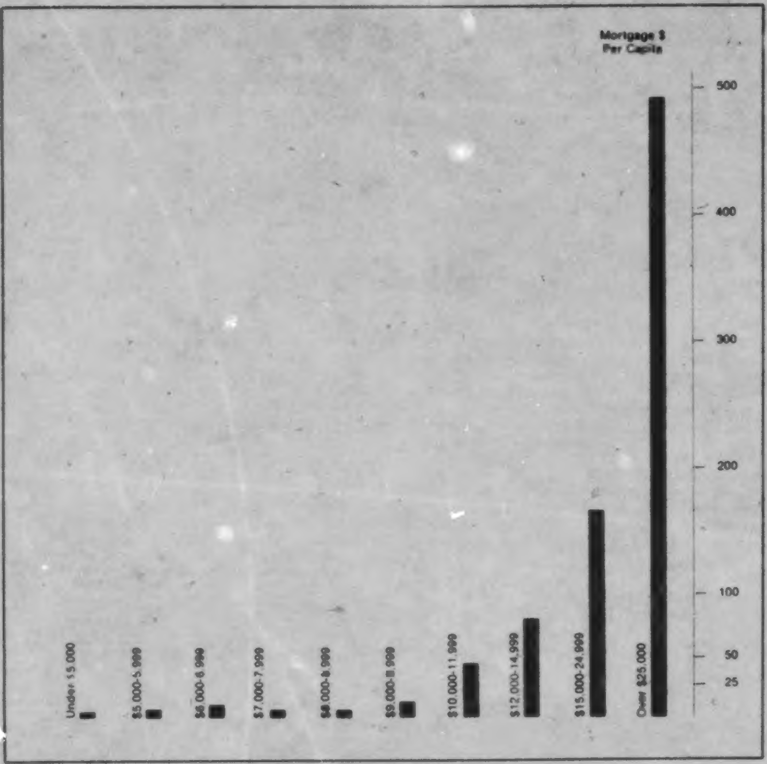
> Our general findings revealed that lending in Baltimore City followed certain geographic patterns. Much of the lending was concentrated in areas categorized by above average income and value of housing. As expected, we found a dearth of lending in areas where housing values were low and income low. There were, however, persons and areas which seemed to represent acceptable risks but appeared not to have adequate access to private mortgage financing.[32]

In short, the case studies presented in the testimony point to the impact of income in the redlining decision. They note that the decision is based not so much on what income level means with respect to ability to carry a mortgage, but rather, on what income level seems to say about the neighborhood.

The review of characteristics common to redlined neighborhoods presented above is not by any means conclusive. In fact, it should be read as a signpost, an indication that though the hypothesis tends to be borne out in available documentation, a concerted effort should be directed at linking these traits solidly to the disinvestment decision. For example, until more data are available, it is doubtful whether the majority of the depository industry and its regulatory agencies can be persuaded to respond effectively to the needs of the lower-income groups and the minorities. The banking interests, when left essentially to their own good faith to end disinvestment, have been astonishingly inadequate. Apart from a few policy directives affirming equal housing opportunity, the industry has persisted in seeing efforts to end redlining as efforts to promulgate bad business. But little else is to be reasonably expected when the regulatory agencies and the depository firms are caught up in bureaucratic networks which are incestuous. Often FHLBB members are former directors of banks and S and L's, and retired industry executives. In such a circumstance, it is naive to expect any but self-interested policies. Moreover, to date, Federal policy makers have too often gone but half the distance toward creating effective, equitable policies. For example, while both HUD and the

Table II

Mortgage Lending Versus Median Family Income
Los Angeles, California
1970 Census



Source: S. 1281, U.S. Senate Banking Committee, *Hearings*, II, 1073.

Civil Rights Commission have issued equal housing endorsements, neither agency is equipped with *enforcement* powers.

This more than merely suggests the need for thorough-going examination of the constitution of regulatory bodies and government enforcement potential. It calls not only for more and better data on the factors impacting disinvestment and on the relationship between redlining and the cycle of neighborhood decline, but also for a keen analysis of the makeup of regulatory bodies and examination of their policies concerning such additional variables as public services and state and local urban administration.

As this chapter has attempted to demonstrate, there is also a pressing need for studies which examine the hypothesis that class is a principal common denominator in inner-city disinvested neighborhoods. Again, if, as this preliminary study suggests, the correlation between level of income (as a key determinant of class) and disinvestment can be substantiated, a basis around which blacks, browns and whites can unite for their mutual benefit will exist. Not only will such a coalition spur the efforts to end redlining, but also it will form a constituency *against* disinvestment and related housing abuses which neither the industry regulatory bodies nor local, state and Federal agencies can afford to ignore.

Finally, as Chapter II will show, citizen's grass roots efforts all across the country have proved the effectiveness of research and community organization, in the attempt to curb disinvestment. Their efforts have shown conclusively what even incomplete studies can do to arm the public against industry discrimination. Apart from making real progress, these efforts also confirm the need for data such as the Disclosure law provides, and for examination of the systemic inequities which enable disinvestment to occur.

FOOTNOTES

[1] U.S. Congress, Senate, Committee on Banking, Housing and Urban Affairs, *S 1281, To Improve Public Understanding of the Role of Depository Institutions in Home Financing*. Hearing, 94th Congress, First Session, May 5-8, 1975 (Washington: Government Printing Office, 1975) I, 295-300.

[2] *Ibid.*, 45.

[3] See: Karen Orren, *Corporate Power and Social Change* (Baltimore: The Johns Hopkins Press, 1974) and Richard J. Devine, Winston O. Rennie and N. Brenda Sims *Where the Lender Looks First: A Case Study of Mortgage Disinvestment in Bronx County, 1960-1970* (New York: National Urban League, 1973).

[4] Gale Cincotta, "Regulatory Agencies and the Redlining and Disinvestment Process: A Report" (Chicago: Metropolitan Area Housing Alliance, unpublished), p. 14.

[5] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 414.

[6] See, for example: S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 421-506; 547-588. See also, Devine, *Where the Lender Looks First*, *op cit.*, and Cincotta, "Regulatory Agencies," *op cit.*

[7] *Ibid.*, 981.

[8] *Ibid.*, 1204.

[9] *Ibid.*, 1216.

[10] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 73.

[11] *Ibid.*, 560. See also: Frederick Case, *Inner City Housing and Private Enterprise*. (New York: Praeger, 1972), p. 73, and S. 1281, *Hearings*, I, 551-566.

[12] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 561. See also I, 551-566.

[13] *Ibid.*, p. 558. See: Department of Housing and Community Development, and Department of Planning, *Home Ownership and the Baltimore Mortgage Market* (Baltimore: n.d.).

[14] *Ibid.*, 551. See also: U.S. Commission on Civil Rights Staff Report, "Home Mortgage Financing and Racial and Economic Integration." Transcript of hearing before the U.S. Commission on Civil Rights held in Baltimore, Maryland, August 17-19, 1970, in The Civil Rights Oversight Subcommittee (Subcommittee No. 4 of the Committee on the Judiciary), House of Representatives, 1st and 2nd Sessions, *Federal Government's Role in the Achievement of Equal Opportunity in Housing* (Washington, D.C., Government Printing Office, 1972), p. 833.

[15] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 552.

[16] *Ibid.*, 213.

[17] *Ibid.*, 291.

[18] *Ibid.*, 170.

[19] Cincotta, "Regulatory Agencies," *op cit.*, Glossary, n.p.

[20] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 553-554. See also: Ann Heidkamp and Stephanie Sandy, *Redlining in Milwaukee: Who Is Destroying the West Side?* (Milwaukee: Council on Urban Life, n.d.).

[21] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 348-49.

[22] *Ibid.*, 414-15.

[23] *Ibid.*, 17.

[24] *Ibid.*, 19.

[25] Federal Home Loan Bank Board, 38 F.R. 3586 (December, 1973), as quoted in "Redlining: Mortgage Disinvestment in the District of Columbia," a report published jointly by the D.C. Public Interest Group, the Institute for Local Self-Reliance, and the Institute for Policy Studies (Washington, D.C., 1975), p. 3.

[26] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 567. See also U.S. Commission on Civil Rights Staff Report, *op. cit.*, p. 835.

[27] See *Ibid.*, 308, 429.

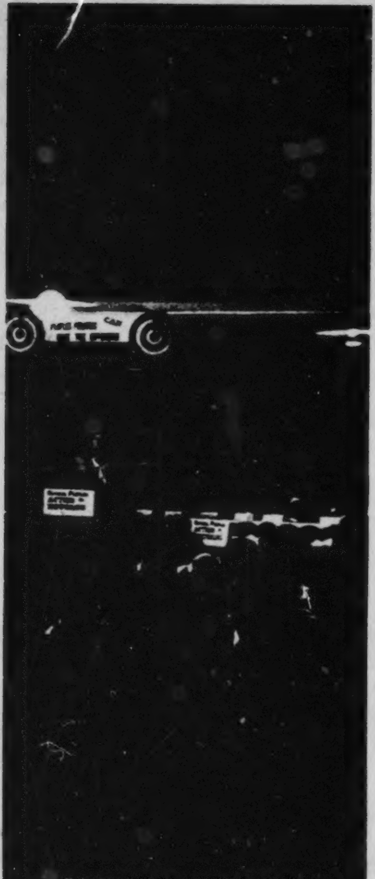
[28] *Ibid.*, 308.

[29] S. 1281, U.S. Senate Banking Committee, *Hearings*, II, 1032.

[30] *Ibid.*, 1056.

[31] *Ibid.*, 1072.

[32] *Ibid.*, 1032.



Gale Cincotta at a community meeting

Citizen Organizing Against Redlining: Options For Action

Cities as dissimilar as Los Angeles and Boston, as unlike in size as Cleveland and New York, and as varying in ambiance as Chicago and Washington, D.C., have witnessed the emergence of community organizations committed to ending the decline of inner-city neighborhoods. These efforts grew out of the difficulty experienced by one or two individuals in getting a mortgage or a home-improvement loan. When people in one neighborhood continued to face such difficulties, local speculation led to research, and finally to concerted action. Typically, such efforts were founded by persons whose knowledge of the mysteries of the mortgage market was limited to what they could learn from having bought and sold one or two houses in their adulthood, not by persons whose formal training was centered in urban planning, real estate development or savings and loan administration. Often these individuals progressed from anger and exasperation to cool analysis of the problems involved, and keen appraisal of the tactics needed to solve those problems.

This chapter focuses on the processes by which neighborhoods organize themselves to fight against housing abuses. It will put forth a representative case study based on the experiences of the Metropolitan Area Housing Alliance (MAHA) in Chicago, Illinois, and examine some of the key strategies citizen leaders have employed to impact the disinvestment process, and to influence public officials to bring about significant reforms.

Beginning in the Neighborhood: The Chicago Story

The Chicago effort is not the only mass-based community drive mounted against redlining and related industry abuses, but it is the oldest, and perhaps more than any other effort, has stimulated activities in a score of other cities. It provides a valuable model demonstrating the inroads concerted citizen action can achieve, and documents the way in which the initial neighborhood focus can expand first to a city-wide impact and then to a national legislative reform.

The Chicago effort began with a few church and community groups whose members were residents of redlined neighborhoods in Chicago's West Side. In 1969 these groups formed the West Side Coalition, whose earliest "case history" is typical of the kind of circumstance that can launch a national effort. In its early days, two people—one a Pole and the other a Puerto Rican—approached one of the Coalition's neighborhood offices with complaints of having been denied loans despite their good credit and sound reputations. The reason for the denial, they said, was "special circumstances"—later defined as the lender's opinion that the neighborhood concerned was "going down."

As a result of this meeting, members of the Coalition paid a visit to the offending bank, where the "special circumstances" argument was put forward as justification for the loan denials. Coalition members countered with demands for some voice in where their dollars would go, for immediate processing of the denied loans, for the establishment of a $5,000,000 mortgage resource pool, and for the right to review future rejected applications. In turn, the bankers responded with "stonewall" tactics, interrupted briefly by a letter which claimed that 500 loans totalling $6,000,000 or 60% of the bank's capital were outstanding in the area, $4,000,000 of which was in real estate loans. In fact, however, the bank's capital totalled some $60 million; and $6 million in loans hardly constituted the alleged 60 percent.

At this point, the Coalition discussed a number of tactics for immediate action—including the possibility of withdrawing the members' pooled assets in protest. A quick check yielded a total of $29,000, a sum which would have made no dent whatever in assets of $60 million, and the tactic was shelved in favor of a more visible strategy.

The Coalition again paid a visit to the bank, this time to hand out fliers to the day's clients, describing redlining. Again, the response was negligible: a few police cruisers, a few angry protests as the clients understood the significance of redlining, a few furtive peeks from behind the bank's drawn curtains, and nothing more.

The strategy clearly had to change. And it did. The following Saturday, the Coalition members divided into small groups and went to the bank to transact some business. One by one, as slowly and ineptly as possible, the groups opened savings accounts of one dollar; took out a dollar from a checking account and deposited it right away in a savings account; requested sacks full of coins in exchange for a few bills; pretended to be students engaged in research, and pestered the clerks and tellers for detailed innocuous information; bought $5 travellers' checks, $1 money orders, and opened $1 Christmas Club accounts. Those who were bilingual insisted on transacting their business in Polish, Ukrainian, Spanish and other languages, and meanwhile, outside, drivers congested the parking lot and plagued the drive-in teller. Still, not much happened. But in an impromptu act of frustration and anger, one elderly Polish woman slammed her sack of fifty pennies to the floor, and within two hours, the group met with the bank's president and its Board chairperson. Not only were all the demands won, but the bank also contributed $1,000 to the Coalition.

This kind of tactic was repeated around the city, and a few other, similar agreements were negotiated. But nothing of real substance had changed; the Coalition and the public were still dependent on the industry's good faith in lending. Next, the Coalition moved "downtown," to the larger financial institutions in the "Loop." At each, they requested mortgages on properties within their neighborhoods, and at each, were told time and again that "this is an FHA area," or "that's a changing neighborhood," and were offered better terms on suburban properties. Repetition of that experience led gradually to the understanding that the banks had some special knowledge that just was not public, and to the recognition that an FHA area meant a neighborhood in which the banks wouldn't "risk" conventional loans.

The Coalition requested a meeting with the president of one large bank to pose a few direct questions. Instead of coming himself, he sent two vice-presidents who began their discourse with a condescending explanation of how a mortgage is obtained, and interrupted with questions on more relevant matters, ended their discourse by calling the meeting an inquisition, and left before things even got started.

Shortly, the group dropped in on the president at his home in a distant suburb. After lengthy negotiations on his front porch, he eventually agreed to meet the following week in his office. At that meeting, he denied the existence of FHA areas, but confronted with facts, figures, names and dates, he retracted that statement and promised mortgages would never again be denied on those grounds. The Coalition, however, was not inclined to accept mere promises; good faith broken once can be broken twice, with impunity. Eventually, the two parties agreed that a meeting with the County Savings and Loan Board would be arranged.

The initial meeting between the Coalition and the Savings and Loan Board led to monthly meetings at which rejected loan applications were reviewed. Matters improved slightly—15 previously rejected applications were approved—but the burden of proof was still on the community, and still the necessary data were lacking.

This blow-by-blow account gives a good idea of the tone and reaction that can be expected in initial community/industry confrontations. But it tells only a small part of what can result from such a beginning. Out of this localized strategy grew a number of developments with both state and local ramifications. As the Chicago West Side Coalition grew in experience, it recognized that while confrontation with selected institutions is extremely helpful as an industry/public consciousness-raising tactic to gain access to key officials with whom substantive negotiations can occur, by itself it is not enough. Coalition leaders shifted gears, and sought a broader base from which to attack disinvestment and redlining.

The most significant and far-reaching result was the First National Housing Conference in March, 1972, which not only produced resolutions that generated national attention and sparked national actions against housing industry abuses, but also helped to crystallize the Chicago effort. People from across the country—38 states and 75 urban centers—went into the '72 conference with a relatively narrow, local focus, and came out with the National Training and Information Center (NTIC) to provide information and to coordinate organizing activities to expand the conference's grass-roots base. In addition, the conference participants decided to form National People's Action on Housing (NPAH) to act as a national people's lobby on urban issues. The day-to-day tactics it employed are less important than the formative concepts and principal strategies with which they were defined.

Coalition Building: National Action Strategies

The National Training and Information Center (NTIC) has established an astonishing track record in reversing redlining, disinvestment and related housing abuses. It serves as a national information clearinghouse on redlining and FHLBB mortgage lending policies and practices, whereas the National People's Action on Housing (NPAH) serves as a national network of anti-disinvestment forces with national legislative repercussions.

By means of facilitating such coalitions as the Metropolitan Area Housing Alliance (MAHA), NTIC has demonstrated quite convincingly that an organized, mass-based community effort can in fact reverse abusive policies. Its track record continues to be useful not only as an incentive for other neighborhoods in other cities, but also as a study in specific strategies and their underlying concepts.

NTIC has employed five interrelated strategies which, combined, constitute a model for community organizations involved in social action for change on local and national levels:

- Neighborhood street *organizing* to expand the grass-roots base so necessary for combatting the destruction of our communities;
- *Research* into hard data as a means of pressuring the industry and its regulatory bodies for disclosing data on mortgage/lending practices, and the use of both self- and industry-generated data as evidence of the need for broad-based efforts to end disinvestment;
- The use of *confrontation* tactics as a means of calling industry and public attention to the nature and extent of the problem, and as *leverage* for negotiating preliminary victories;
- The conduct of responsible *negotiations* at the city, state and Federal levels aimed at effective collaboration of citizens, industry officials and public authorities in ending redlining, and
- The *development* of specific programs and policies at the city, state and Federal levels, which will prohibit disinvestment and provide reinvestment incentives.

The approach combining these strategies is a flexible one, and has resulted in concrete end products. A closer look at several of these key strategies is important.

Research and Data Collection Programs

Before any community group can effectively seek solutions to redlining, it must seek ways to document the extent of the problem within the neighborhood. One of the most successful of such efforts has been a voluntary survey of savings and lending data for Savings and Loan Associations in the Chicago area. This study, conducted by the Federal Home Loan Bank Board of Chicago, was stimulated by community organizations and validated the concerns of community residents.

The survey showed that many of Chicago's older neighborhoods received only 3 cents for each $1.00 they had deposited, whereas during the same period, the suburban communities received over 30 cents for each $1.00 on deposit. One of the most severely redlined communities is zip code area 60622. The study showed that while the savings and loans reported a total of $33 million in deposits from that area, they only made $360,000 in mortgage loans during the period from June 30, 1972 to June 20, 1973. The survey also showed that there had been a drastic 45 percent decline in the amount of home improvement loans within the city between 1972 and 1973.

The survey in Chicago, however, also uncovered several problems that should be corrected in future surveys of this kind. First, the survey was voluntary; consequently, a number of major institutions either did *not* answer the questionnaire or furnished only partial answers. Second, the geographic disclosures solicited was by zip code, a unit which is much too large for accurate comparisons. For example, in many Chicago zip code areas, the neighborhoods run the entire gamut from luxury housing to lower-income units. As a result, the total investment in these zip code areas often does not indicate severe redlining because the investment in upper-income housing offsets the lack of investment in lower- and moderate-income housing. A more useful unit for geographic disclosure would be census tracts, which are small enough to be reasonably homogeneous.

A second research approach is a local, volunteer data collection research effort. Past experience in Chicago and elsewhere has shown that this approach is often essential because of the failure of industry regulatory bodies and their depository institutions to cooperate in disclosing their lending records. Appendix A contains some of the approaches to volunteer research, and examples of some of the data collection instruments they have employed, such as those used by the Metropolitan Area Housing Alliance in Chicago.

Negotiation for Public Policy Formulation

Chicago-based efforts to confront the redlining issue resulted in the creation or enabling of two reviewing and negotiating bodies: a Governor's Commission to review and formulate recommendations concerning disinvestment and redlining, and the existing State Legislative Investigating Committee was empowered to study redlining.

The first step in securing the Governor's Commission was a series of efforts which led to a meeting with the Governor, at which he was pushed to express his concern by appointing a Commission comprised of representatives of the community, the financial and real estate industries and other interests to investigate complaints of mortgage practice abuses and formulate legislative and regulatory changes to combat the problem. It is important to note here that citizen efforts persisted beyond securing the Governor's commitment to create the Commission. The Coalition continued to meet with the Governor's staff to draft the details of the Commission's makeup, for it felt that sizeable community representation on the Commission was crucial—ideally, the Coalition sought one-half the Commission's membership to represent community interests.

As the Illinois Governor's Commission proceeded, the community interest segment worked as a team to insure the passage of a number of viable resolutions. The first of the Commission's significant achievements was the passage of a resolution calling on the Governor to appoint to the then-vacant position of Commissioner of Savings and Loan Associations a person who was *(1)* sympathetic to the problems of the community; *(2)* committed to mandatory, full, public disclosure of deposits and lending information by financial institutions, and *(3)* committed to the active enforcement of existing state anti-redlining regulations. The Governor subsequently appointed a Commissioner who has publicly committed himself to each of these points.

A second major Commission achievement was that it legitimatized community group efforts by providing a high-level forum for bringing the issue to the attention of politicians, civic leaders, and the press. And third, after months of deliberations, the Commission arrived at conclusions and recommendations identical to those that neighborhood groups in Chicago's redlined communities had long advocated. Specifically, the Commission's final report recommended and proposed:

(1) That the state pass a law declaring the act of redlining to be illegal;

(2) That all financial institutions be required to publicly disclose on a semi-annual basis, by census tracts and zip codes, the dollar amount of all mortgage lending and all deposits;

(3) The modification of regulations governing the charter, relocation, branching, merger, or redesignation of home offices for state or Federally-chartered savings and loan associations so that they better protect the interests of the original service area;

(4) The licensing and regulation of mortgage bankers* (the most unregulated of all major sources of home financing) and,

(5) A minimum forebearance requirement in the state that would combat the practice of fast-foreclosure common among FHA mortgagers.

Notably, the Commission's successes did not end with recommendations and proposals. To date, though the licensing and minimum forebearance recommendations have met with limited success, a state disclosure law, an anti-redlining law and savings and loan regulation modifications have been enacted. The Commission and the MAHA meetings also afforded the effort invaluable contacts in the state legislature who have helped to shepherd anti-disinvestment legislation toward enactment.

A second review and negotiating body, in addition to the Governor's Commission, grew out of the Coalition's organizing around disinvestment. Reacting positively to its calls for action, the Illinois State Legislature empowered its Legislative Investigating Committee to conduct a detailed study of mortgage redlining. In order to determine an effective focus and approach, community group representatives met with the Committee's director to ensure that a number of key community demands were met:

(1) That the hearing would be at night so that the residents of redlined communities could attend;

(2) That all financial institutions be required to publicly disclose on a semi-annual basis, by census tracts and zip codes, the dollar amount of all mortgage lending and all deposits;

(3) That critical key witnesses suggested by the community groups be called;

(4) That these witnesses would be asked questions submitted by the community groups; and

(5) That hearings and disclosure of lending data by financial institutions be required for the investigation.

The Committee hearings included testimony from a variety of persons—community leaders, residents of redlined communities whose mortgage applications had been rejected, industry officials, representatives of firms accused of redlining, and representatives from a number of state and governmental agencies. The most significant statements, notably, came from undercover agents who posed as would-be borrowers; their testimony verified citizens' allegations, and ensured that the industry could no longer discredit such statements. Nevertheless, financial institutions' representatives still continued to deny any form of redlining, even in the presence of strong evidence to the contrary. Significantly, the investigating Commission had the power to subpoena data from a number of financial institutions accused of redlining. Analysis of that subpoenaed data clearly indicated that a number of institutions utilized their home offices simply to take in savings from the local community—which later were invested in the suburbs.

In sum, the Committee hearings further supported and legitimized the efforts of community groups in redlined neighborhoods, reinforced Commission resolutions, and helped lay the groundwork for future developments on the state level.

City Level

Negotiations with municipal officials led to Mayor Daley's strong stand against redlining, and to the City Council's passage of the municipal anti-redlining ordinance. More significantly, the

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*This reform was later introduced as an administrative regulation rather than as legislation; its outcome is still pending.

Chicago City Council adopted an innovative city depository program which requires that all financial institutions receiving deposits of city funds pledge not to practice redlining and to disclose deposit and lending information by census tracts (zip codes during the first year). The first of its kind in the country, the ordinance also authorizes savings and loan associations to be city depositories for the first time. Its passage was a primary result of the documentation of redlining in the city by the Federal Home Loan Bank Survey and the continued efforts of community groups to raise the issue of redlining.

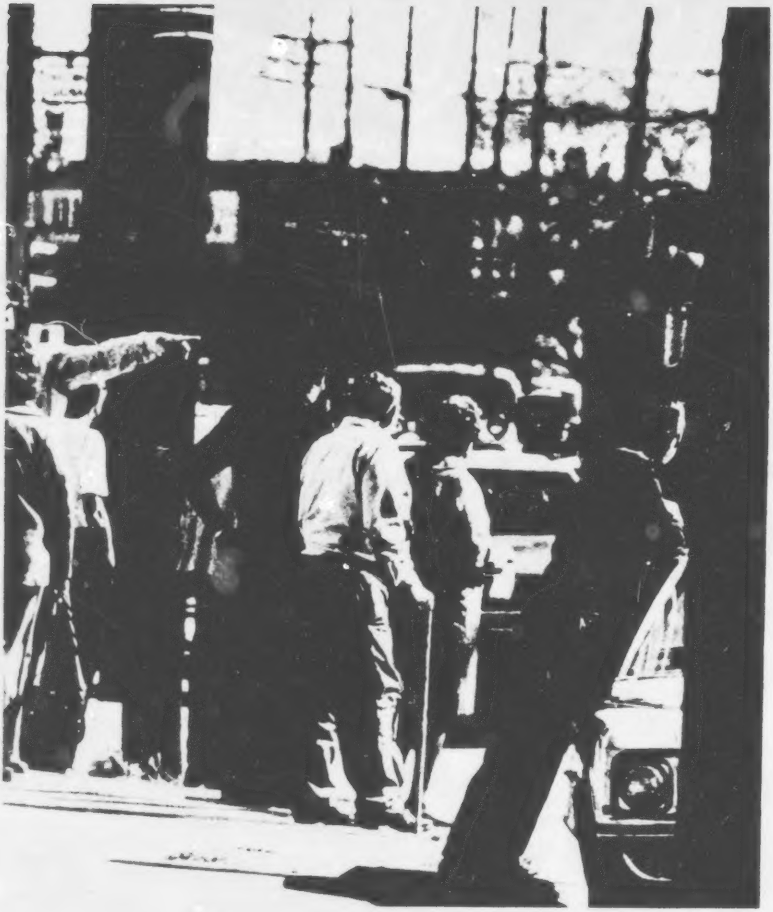
A major factor which vitiates the ordinance's effect, however, is that while *it offers institutions incentives not to redline, it lacks any sort of mechanism to force them to stop the practice;* its voluntary nature has already created some problems. For example, only four small banks provided the necessary disclosure information by the first bid date. Second, other institutions claimed that they could not retrieve the necessary data in the time allotted, and requested an extension of the deadline. As a result, the city extended the deadline from August, 1974 until January 1, 1975, and delayed the disclosure by *census* requirement for one year, accepting disclosure by *zip code* instead, for the first year. But at this writing, almost 50 institutions have filed disclosure statements (by zip code) with the city. The Chicago ordinance, while it is a very useful and innovative step in the anti-redlining fight, illustrates the need for mandatory disclosure for all financial institutions. Incentives for disclosure are not enough.

Conferences

As the Chicago experience shows, the convening of a housing conference may well be one of the most important steps a local community can take as it launches its attack against redlining. Properly conceived, the housing conference can:

- Make the redlining problem public knowledge and serve as a consciousness-raising tactic;
- Produce both educated leaders and various strategies for future action; and
- Pressure industry and public officials to act.

Conferences serve to raise the issue by providing a forum for presenting the problem to the community, to politicians and to the press. Newspapers frequently cover such conferences, and that coverage in itself is a valuable instrument for public and official consciousness-raising. Second, within the conference context, delegates from various communities can meet in workshops to



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explore the nature and extent of redlining disinvestment, and can exchange information about various strategies designed to combat it. Out of these workshops can come specific tactics as well as knowledge of broader-based strategies and national or state approaches to employ for solutions. And finally, because conferences attract large numbers of people who explore various issues from different perspectives, they are an ideal mechanism for pressuring public and industry officials to respond—or explain their failure to respond. At the same time, they serve often as a public arena in which elected officials can meet with their constituents to determine needs and potential changes.

For example, one of the most successful conferences was the Third National Housing Conference held in Chicago in April, 1974. Attended by some 1,000 delegates from across the country, it resulted in:

(1) A commitment from the Urban Reinvestment Task Force of the FHLBB to establish the Neighborhood Housing Services Program in Chicago;
(2) The Governor's establishment of his Commission on Mortgage Practices, formed to study the problems of redlining in Illinois;
(3) Mayor Daley's strong stand against redlining, which led to the City Council's passage of the municipal "anti-redlining ordinance."

Appendix B provides a sample agenda for use in a national housing conference.

Summary

These citizen coalition efforts to end redlining had impact on (1) public policy formulation, (2) reinvestment program development, and (3) industry commitment to end redlining. Through the leadership and organization of MAHA (Metropolitan Area Housing Alliance) and NPAH (National People's Action on Housing), a number of strategies were employed to achieve specific objectives; no one strategy was dominant. The National Training and Information Center's major accomplishments, then reflect the use of neighborhood street organizing, research, confrontation, negotiation and policy formulation, and include:

- Establishing the annual National Housing Conferences—conventions attended by an average of more than 1,000 delegates from across the country, and noted for their significant reform recommendations;
- Continuing the NTIC as a clearinghouse for disinvestment/redlining information, and a center for policy and program development both in Chicago and nationally, through publication of its monthly newsletter, *"Disclosure"*;
- Securing, through the efforts of MAHA, the creation of the Governor's Commission on Mortgage Lending Practices, in the state of Illinois, and prompting reforms in the housing/mortgage lending policies of the state of Illinois;
- Securing the Neighborhood Housing Services Program—a reinvestment incentive program jointly sponsored by the Department of Housing and Urban Development and the Federal Home Loan Bank Board—for Chicago;
- Winning numerous reinvestment commitments from Chicago area depository institutions; and,
- Establishing, through collaboration with state and local officials, the Loan-to-Lender Program for reinvestment, a novel program using public bond monies for establishing a mortgage pool for formerly redlined inner-city areas.

Implications For Public Policy

Who is to Blame?

Attempts to investigate the problem of redlining have been characterized by a blame counterblame climate. In that atmosphere, representatives of Federal regulatory agencies, of mortgage banks and savings and loan institutions, defend the process on the grounds that it makes good financial sense; representatives of a variety of citizens' groups, on the other hand, fight to show that it is a destructive practice resulting in neighborhood decline. Some proponents of redlining believe that it is a necessary response to already existing deterioration. Others argue that the fault lies with minority groups, particularly those who are seen as incapable of maintaining properties in a way that will inspire the depository institutions with confidence that their monies will not be misplaced. For their part, critics of the practice argue that redlining exists first because of the pervasive insensitivity of policy regulators to the needs of inner-city residents, principally the poor and the minorities, and second, because of a structured conflict of interest which prevents agency regulators from instituting and enforcing necessary corrective measures. The issue of who is to blame is not a simple one; initially, it involves unraveling the responses of the several industry regulatory agencies.

The Federal Regulatory Agencies

There are two basic categories of regulatory bodies for financial institutions. The first contains the Federal regulatory bodies, which oversee all Federally-chartered institutions. They include: the Comptroller of the Currency, which supervises the national banks; the Federal Home Loan Bank Board, which supervises the Federal savings and loan associations; the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, which has regulatory powers over not only Federal institutions, but also over the majority of state-chartered institutions which utilize its deposit insurance, and over savings and loan institutions; and the Federal Reserve Board. The second category of regulatory bodies is made up of the state agencies, which supervise all state-chartered financial institutions. These include the state commissioner of savings and loan associations and the state commissioner of banks, though the exact titles may vary from state to state.

Each of these regulatory bodies has to some greater or lesser extent abdicated its responsibility for insuring that the public has equal and fair access to home purchase and improvement funds, the most significant abdication being that of the Federal Home Loan Bank Board (FHLBB). This regulatory agency was empowered by Congress in 1933, to safeguard two public purposes:

(1) Provide local mutual thrift institutions in which people may invest their funds; and
(2) Provide for the financing of homes.[1]

To this effect, Congress wrote:

> In order to provide local mutual thrift institutions in which people may invest their funds and in order to provide for the financing of homes, the Board is authorized, under such rules and regulations as it may prescribe, to provide for the organization and regulation of associations to be known as "Federal Savings and Loan Associations", and to issue charters therefore, giving primary consideration to the best practices of local mutual thrift and home-financing institutions in the United States.[2]

Its obvious intent in creating the FHLBB was primarily that the housing needs of the local community served by each member savings and loan association would be met. Consistent with this objective, Congress stipulated further that the FHLBB take great care in attending to the sound financial practices of the member savings and loan associations. Unlike its track record in fulfilling its obligation—mandated by Congress—to meet the housing needs of each affected local community, FHLBB's record in attending to the safety and soundness of its member S and L's has been rather impressive:

- In 1970, over $10.6 billion in outstanding advances from the FHLBB were on loan to the member S and L's. In certain parts of the country having a low supply money compared with demand (e.g., Washington, D.C.) advances from the FHLBB to member savings and loans often amounted to some 30% of their total assets.
- The FHLBB also serves as a depository for member savings and loans which wish to deposit surplus funds or funds required to be invested in short term loans. The FHLBB pays a substantial interest rate for these deposits, and secures them through a $4 billion line of credit with the U.S. Department of Treasury.
- A savings and loan association which is Federally chartered is exempt from state or local government supervision. Several court cases have held that only the FHLBB may regulate Federally-chartered savings and loans. (This is an obvious form of protection from "interference" by local political institutions).[3]

However, there is no public evidence that it has:

(1) Established standards for the adequate provision of thrift and home-lending services to the local communities designated in associations' charter applications;
(2) Developed examination procedures to be used in evaluating whether associations are meeting the thrift and home financing needs in their local service area;
(3) Instituted remedies for the resumption of services, if routine examinations reveal that associations are not meeting the thrift and home-financing needs of their service areas; or
(4) Protected communities against the withdrawal of thrift and home-financing services as it applies to branching and relocation policies.[4]

Nor has the FHLBB been vigilant in fulfilling its mandate under the 1968 Civil Rights Act. The Act explicitly forbids race discrimination in home financing:

> After December 31, 1968, it shall be unlawful for any bank, savings and loan association, insurance company, or other corporation, association, firm or enterprise whose business consists in whole or in part in the making of commercial real estate loans, to deny a loan or other financial assistance to a person applying there for the purpose of purchasing, constructing, improving, repairing, or maintaining a dwelling, or to discriminate against him in the fixing of the amount, interest rate, duration or other such terms or conditions if such terms, loans or other financial assistance, because of the race, color, religion or national origin of such person or of any person associated with him in connection with such loan or other financial assistance, or of the present or prospective owners, lessees, tenants, or occupants of the dwellings or dwelling in relation to which such loan or other financial assistance is to be made or given . . . .[5]

It was not until April, 1972, that the Board issued nondiscriminatory regulations. it has yet to define an effective enforcement system. Nor has the Board taken concrete steps to end the redlining as practiced by its member institutions.

A preliminary report from the Urban-Suburban Investment Study Group, Center for Urban Affairs, Northwestern University, provided to the Senate Banking Committee a lengthy and detailed examination of the FHLBB's statutory authority. While it is not necessary here to reiterate that evidence in full, the report correctly concludes that:

> The evidence as presented in this chapter will demonstrate that the Board *does* have a statutory obligation to safeguard communities from the loss of thrift and home lending services, and this legal authority encompasses its branching policies. (Italics theirs.)[6]

And it summarizes the case against the FHLBB by noting that although enforcement powers are there, "there is an apparent breakdown in the Board's implementation of its statutory obligations to regulate associations—once they have been chartered—to insure they provide adequate services to the service areas designated in their charter applications."[7]

Finally, the corpus of testimony (in the hearings and elsewhere) pointing to the need for immediate, firm response from the FHLBB makes clear that the "breakdown" in its regulatory efforts included the following:

- The FHLBB has delayed in resolving a number of complaints filed with it against the lending practices of some of its member savings and loans.
- The net effect of the 1972 response to the Civil Rights Act was to require merely an "equal housing lender" poster in each savings and loan lobby and a clause to that effect in each real estate *loan* advertisement, overlooking the *savings* ads which predominate in savings and loans advertising policies.
- Representatives of the FHLBB and/or of the FHLBs have frequently refused to comply with requests for data disclosing the savings lending practices of member savings and loans.[8]

This list is not comprehensive, nor is it intended to be. It merely substantiates the conclusion that regulatory and enforcement efforts undertaken by the FHLBB with respect to its member banks and its member savings and loans leaves much to be desired.

A significant problem confronting the Board is their close ties with the entire savings and loan industry, which make it more difficult for the Board to act objectively. That there *are* close ties is evidenced in this statement from the report of the Center for New Corporate Priorities, Los Angeles, California:

> There is now no public representation in the California or Federal regulatory agencies which regulate financial institutions . . . indeed, the FHLBB recently appointed three former savings and loan executives to serve as "public" representative on its Advisory Board.*

A similar lack of public representation is also found in many others states and on the national level.

The State Regulatory Agencies

Typically, the state commissioner of savings and loan associations (whose title may vary), regulates all state-chartered savings and loan associations within that state. These agencies are limited with respect to their regulatory powers, inasmuch as they have authority only over state-chartered institutions. Two key points should be made with regard to state regulatory agencies. First, their authority over state-chartered savings and loans is typically analogous to the power of the FHLBB over Federally-chartered savings and loan associations, e.g., the authority to review accept or reject charter applications, and the authority to promulgate and often to enforce anti-discrimination anti-redlining regulations. Second, as the testimony of Governor Walker of Illinois makes clear, there is a need for parallel legislation to insure that these state regulatory boards fulfill their responsibilities vis-à-vis protecting the local, home-purchasing public. Condensed, Walker's points are:

- (By implication), that the state regulatory agencies have authority analogous to that of the FHLBB.
- Therefore, without parallel legislation to ensure that they, too, protect the public from discrimination by race and other methods of redlining disinvestment, half the battle will be lost;
- Further, without such legislation, savings and loans themselves may seek only state charters, thus escaping the consequences of flaunting legislation which applies only to Federally-chartered savings and loans. (The converse is also true.)
- Finally, legislation from either the state level or the Federal level, which would apply to both Federally- and state-chartered savings and loans, would ensure a healthy climate of

> competition between the two kinds of depository institutions.[10]

By virtue of their existence at the state as opposed to the Federal level, state savings and loan association commissions are readily accessible to citizen action for ending disinvestment-related practices. Included in the complete body of testimony provided by Governor Walker, and reiterated impressively in the statements and reports of various citizen organizations, is ample proof that citizen efforts directed towards state regulatory bodies can pay off.

The Depository Industry

Certainly the blame for redlining does not end with the failure of the primary (Federal and state) regulatory agencies to meet their public responsibilities. The chief actors are the depository institutions themselves. It has been shown that the regulations, mandates, and in many cases, enforcement powers, do exist to prevent willful discrimination, and even unwitting acts which are discriminatory in effect. The problem seems to be how those regulations are interpreted, and in that light, the depository institutions are *at least* as much to blame as their regulators.

Five principal types of depository institutions function in the conventional mortgage sphere:

(1) Federal savings and loan associations;
(2) State savings and loan associations;
(3) Savings banks;
(4) Commercial banks; and
(5) Mortgage banks.

There is evidence that these institutions mutually support each other. As the Alliance of Concerned Citizens, Milwaukee, Wisconsin, points out in its testimony before the Senate Banking Committee, each aspect of the industry pays particular attention to the others, not only to monitor for competitive purposes but also to monitor for the decision to redline a specific neighborhood. Once one depository institution begins to withdraw its financial support from a neighborhood, the others rapidly follow suit. Without that complicity, it is doubtful whether disinvestment decisions would be the self-fulfilling prophecies they are; with it, realization of the prophecy is guaranteed. The Alliance's examination of varied depository institutions in Milwaukee suggests that these institutions can redline a given neighborhood without objective cause, without public knowledge or consent and without censure from regulatory agencies. Though a variety of methods is used, generally (according to research by the National Training and Information Center) the banks will:

(1) Require down payments of a higher amount than are usually required for financing comparable properties in other areas.
(2) Fix loan interest rates in amounts higher than those set for all or most other mortgages in other areas.
(3) Fix loan closing costs in amounts higher than those set for all or most other mortgages in other areas.
(4) Fix loan maturities below the number of years to maturity set for all or most other mortgages in other areas.
(5) Refuse to lend on properties above a prescribed maximum number of years of age.
(6) Refuse to make loans in dollar amounts below a certain minimum figure, thus excluding many of the lower priced properties often found in neighborhoods where redlining is practiced.
(7) Refuse to lend on the basis of presumed "economic obsolescence" no matter what the condition of an older property may be.
(8) Stall on appraisals to discourage potential borrowers.
(9) Set appraisals in amounts below what market value actually should be, thus making home purchase transactions more difficult to accomplish.
(10) Apply structural appraisal standards of a much more rigid nature than those applied for comparable properties in other areas.
(11) Charge discount "points" as a way of discouraging financing.[11]

Essentially, the industry has argued that disinvestment is a necessary evil. The industry representatives maintain that disinvesting a given neighborhood is (1) a response to existing deterioration, and (2) therefore, a means by which they comply with their mandate to exercise judicious control over the financial decisions their member banks and savings and loans make. Redlining, they argue, is good business sense, a way of *protecting* their depositors rather than of victimizing them.

For example, Thomas R. Bomar, former Chairman of the FHLBB, while cautiously conceding that "the successful development of remedial tools" is required, notes the following:

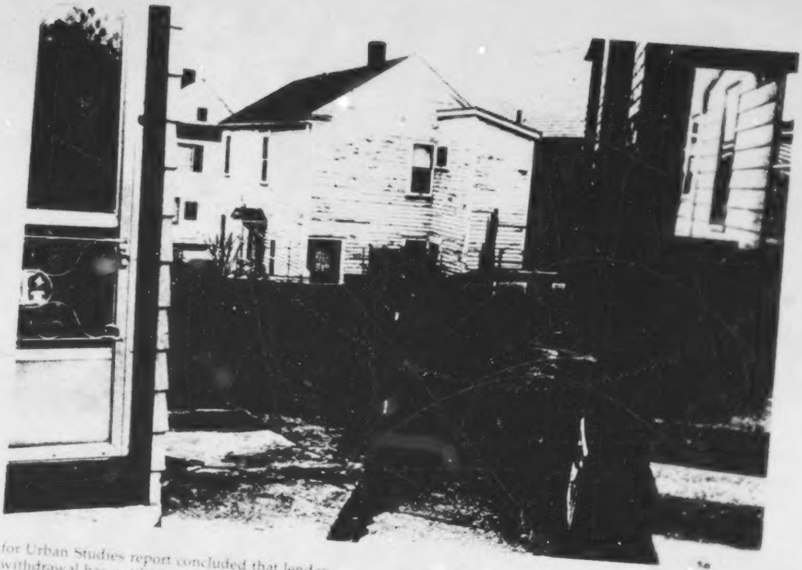
> 'Our impression has been that because these institutions [Federally-chartered savings and loans] are chartered by some Government authority, they have a general responsibility and obligation to serve their area, and, in fact, all of them do.
>
> 'However, there is no specific designation that they must invest in any specific neighborhood, which we think is very wise because this requires a sophisticated judgment as to the risk-reward relationships.
>
> 'Certainly, not only as a matter of basic logic, but also as a matter of good business sense, financial institutions . . . make loans and provide funds to those in the geographic area in which they are located. *However, we draw a distinction between that and saying you must invest in this given set of blocks of a territory.*'[12] (Italics ours.)

Linking the question of particular areas and the question of the depository institution's responsibility to protect its depositors, Bomar continued:

> 'We say to financial institutions, 'You may not discriminate on any irrelevant basis, such as somebody's race, or religion, or age, or national origin, or sex.
>
> 'But we also say to them, 'You must make your determination on the basis of economic considerations. And if you don't, we will see to it that you do not remain in business very long, because if you don't do that, you are taking undue risks with people's savings.
>
> 'So, on the basis of economic determinations, quite naturally, when somebody with a fiduciary responsibility presumes that the risk-reward relationships are out of balance—and there is such a limited supply of mortgage money in the country, I really think that's our primary problem—there are certain areas that get rationed out.'[13]

The problems with this point of view are its violations of the original Congressional mandate which established the Federal Home Loan Bank Board. Local thrift institutions as represented by savings and loans are designed to serve home owners and small depositors. However, individual customers are replaced by corporations (builders and developers) which provide a quick return on each dollar loaned out. Certainly the risk/reward principle should guide any business transaction, but it is unfair to place a homeowner in competition with a corporation. Further safeguards are needed to protect groups of individuals who have been perjoratively labeled by society.

Other industry representatives argue that it is difficult to correlate neighborhood decline and redlining. For example, a MIT-Harvard Joint Center



for Urban Studies report concluded that lender withdrawal has not been found to be the primary cause of urban blight. This 1974 study noted that "virtually all economic analyses agree that institutional disinvestment does not initiate decline, but, rather, begins to occur at some point during the decline process and in response to other conditions which already exist within the neighborhood or designated area."[14]

It is difficult to argue with this point of view; there are many preconditions structured into the urban system which represent a series of disincentives to neighborhood revitalization. Though the absence of credit to individuals is only one of many institutionalized disincentives, we can conclude that it is a *critical* factor in determining the economic as well as emotional health of the city.

The industry's position on redlining solidified during the hearings on Senate Bill 1281. This bill, signed into law by President Ford on Dec. 31, 1975, requires depository institutions to compile and make available to the public the number and total dollar amount of mortgage loans made by that institution during the last full fiscal year preceding the effective date of the legislation.[15] Commonly known as the Disclosure Bill, it does *not* require depository institutions to lend in any specific area or neighborhood; it merely asks for a clear record of transactions by which the public can determine the manner in which savings have been utilized. The industry's response to the Disclosure Bill is important as related directly to the problem of redlining and disinvestment. FHLBB representatives, industry representatives and lobbyists feared the passage of the Bill for the following reasons:

(1) That the general public would not know how to use such data if it were available;
(2) That data disclosed would be unfairly manipulated by opponents of redlinging and thus jeopardize the safety of deposits;
(3) That disclosure would violate the fiduciary relationships, and be a first step toward credit allocation. That, according to

industry representatives, means the rationing of money, and ultimately dictating where the money will be lent.

(4) The cost of researching, storing and retrieving such data is unreasonable.[16]

Each of the aforementioned issues was debated during the recent Senate Hearings. The thoroughness and specificity of lay citizens testimony stimulated Senator Proxmire to state:

> . . . what strikes me about this hearing is that the banking institutions which I think are ably represented by you gentlemen and [sic] live with figures and understand statistics and understand the importance of facts and documentation, come forward this morning with a series of generalized criticisms of the ideal.
>
> 'And the community groups that have testified on previous days and Mr. Thrasher whose testimony you have heard this morning come forward with facts and documentation and examples. 'I understand your concern about disclosing information that hasn't been disclosed before and some concern about the cost. Mr. Thrasher indicates that this has been exaggerated. *But I can't understand what other real objections you have to getting the facts out.*'[17]

FOOTNOTES

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[1] See U.S.C. § 1465 (a) (1933, as amended.)
[2] *Ibid.*
[3] See, for example, James Vitarello, et al., *Redlining: Mortgage Disinvestment in the District of Columbia* (Washington, D.C.: Public Interest Research Group, 1975), pp. 2-3.
[4] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 223-24.
[5] *Ibid.*, 485.
[6] *Ibid.*, 217. See also pp. 210-551.
[7] *Ibid.*, 222.
[8] *Ibid.*, 531, 525-28.
[9] S. 1281, U.S. Senate Banking Committee, *Hearings*, II, 1119.
[10] S. 1281, U.S. Senate Banking Committee, *Hearings*, I, 2-155 *passim*.
[11] Cincotta, *op. cit.*, pp. 10-11.
[12] *Ibid.*, 796.
[13] *Ibid.*, 797.
[14] *Ibid.*, 590.
[15] *Ibid.*, 5-11.
[16] S. 1281, Senate Banking Committee, *Hearings*, I, 589-963, *passim*, and accompanying documents admitted as the industry's supporting data.
[17] *Ibid.*, 950-52, *passim*.

Conclusions

The Need for Mandatory Disclosure

Given the failure of the primary regulatory agencies and the depository industry to respond to the needs of their urban depositors, the future with respect to redlining looks grim, indeed. But as mentioned earlier, the past several years have seen the rise of a phenomenon which has been instrumental in the effort to curb redlining. Despite the lack of complete data, numerous citizens' organizations have marshalled enough evidence to document the existence and the effects of redlining, and by means of effective organizing, have stimulated policy changes at the city, state and national levels.

Citizen organizations have also demonstrated that the practice is indefensible. Moreover, it is a short-sighted business. While it is true that the industry reaps huge profits from the complex disinvestment process—overpriced service charges, abbreviated terms, frequent and quick mortgage foreclosures all mean profit—the practice is nevertheless immensely wasteful. Redlining critics point correctly to the by-passing of sound housing stock and the strain on our nation's already limited natural resources which come from an arbitrary insistence on new structures. They point also to the existing housing crisis which is rapidly worsening all across the country, and to the demolition of once perfectly sound and still reclaimable buildings to make way for "urban renewal." These reasons alone—to say nothing of the expense in human dignity and human resources brought on by blind class and race prejudice—make a clear case for the need to end redlining. And although it is difficult to pinpoint the precise moment at which disinvestment occurs, it is at least evident that it exacerbates urban deterioration and further, that neighborhoods having certain racial, ethnic and economic characteristics in common are most likely to be redlined.

A principal conclusion of this report is that race and class prejudice contribute extensively to the formation of disinvestment policies. Primary and secondary source materials validate that conclusion to an extent which is impossible to ignore. They also support the contention that disclosure requirements are imperative if citizen groups are to be effective in neighborhood revitalization efforts. If citizens are to have a chance at recovering control over their lives, they must participate in genuine, meaningful ways in the urban decision-making process. If our neighborhoods are to survive, that access and participation is vital. Moreover, it is imperative that the public have reliable data on the credit flow if we are to achieve important two-way accountability to residents of particular neighborhoods, and citizens' accountability to local savings and loan institutions.

Without disclosure, we have only one-way accountability; as it is, citizens support savings and loan associations by virtue of their deposits, but must depend entirely on the industry's paper assurances that it shuns discriminatory practices. We believe that the enactment of the Home Mortgage Disclosure Act of 1975 will be a major step toward developing the hard, statistical documentation required for ending redlining and beyond that, for prompting active reinvestment.

Neighborhoods: A New Direction for Urban Policy

A second conclusion of this report is that a crisis exists in our national urban policy. America's cities, the focus of the domestic programs of the 1960's, have been removed from center stage. The absence of urban rioting is taken by some to indicate urban health, when nothing could be further from the truth. Not only are our cities confronted with the same problems of a decade ago, they are now caught in a worsening economic bind as categorical problems give way to revenue sharing and block grants that often mean fewer resources for large cities.

The Federal government is moving funds directly to states and cities with little concern as to how and for whom the money is utilized. On top of this, national economic problems have exacerbated the difficulties by reducing city income from local sources while simultaneously raising city costs. Cities have less money to spend, and at the same time, higher costs and little guidance on priorities. The result is that many human needs are going unmet. Moreover, economic necessity encourages lifeboat, or triage, strategies where certain urban sectors are written off as unsalvageable. While this may seem rational in economic terms, it ignores the attendant human tragedies and costs.

Within the context of such a crisis in urban affairs, the neighborhood—the level of human interaction—has been disregarded by most Federal policies. The neighborhood focus, in political, progammatic and human terms, is not seen by domestic policy makers to be a critical focus. In fact, the persistent failure of programs directed toward reversingthe decline of our cities is due to a tendency to perceive the problems on a grand scale, and a failure to define national policy initiatives and priorities which serve the varied needs of differing neighborhoods.

Preconditions for a Successful Urban Policy

Structured into the urban system are a set of preconditions which, if not met, represent a series of disincentives to neighborhood revitalization. Such disincentives often frustrate positive urban policies and programs, and do not permit citizens to participate in the governmental process in ways that are cooperative and constructive.

Generally, these preconditions can be grouped under three broad headings. First, there must be a degree of *public services* (police, fire protection, health services, recreation, etc.) sufficient to meet [illegible] standards of neighborhood needs. [illegible] *public actions*, such as taxation policies, [illegible] and zoning regulations, must be appropriate to needs, while simultaneously able to provide for reinvestment and revitalization. Third, there must be adequate *credit policies* to ensure the availability of funds and investment opportunities so as to permit and encourage private and individual investment. These three factors are obviously interrelated and intertwined, but they provide an initial paradigm of definable goals for those concerned with neighborhood revitalization.

If such preconditions (public services, public actions and credit policies) cannot be met on the local level, there can be little hope for the success of federal programs. The underpinnings, the foundation for the general health of the neighborhood, will not exist. Clearly the problem is complex. How can federal policy influence local decision making, and in essence, stimulate a climate for reinvestment that will advance neighborhood viability?

Currently, there is a void in policy and rhetoric. Few, if any, national leaders are discussing the ways support can be provided for people to stay and reinvest in their communities. We do not have a national policy which provides guidance and deals with the ways citizens, local officials and representatives of the private sector can work *together*. Too, the pattern of citizens' lack of confidence in their city officials' ability to do their

sults, and their related belief that city services are neither adequate nor tailored to their needs, persists. And the barely discernible trend toward decentralization focusing on neighborhoods in federal program implementation and legislation is fragmented and uncoordinated.

We need a comprehensive neighborhood impact policy—a policy which takes into account the diversity of neighborhood needs, builds incentives through appropriate local and state public actions, and supports the upgrading of public service delivery systems on the local and state level. Ultimately, we need to stop expending large sums of money, particularly in the form of federal subsidies and grants, only to patch up or [illegible] down neighborhoods—only to carry them through one crisis right into another. There is something wrong when there are no policies which prevent neighborhood decline without intervention until the point at which the process is complete and urban renewal is declared.

We need longer lasting, more fundamental actions and investments aimed at the neighborhoods. The "powerlessness" of the neighborhoods and their residents must change drastically if we are really talking about maintaining healthy neighborhoods—through joint efforts by citizens, city officials, and the private sector. The creation of a national impact policy seems even more necessary and timely to insure the elimination of the disincentives which lead to neighborhood decline. And at minimum, steps for healthy change and guaranteed life for neighborhoods should include the elimination of the structural disincentives in the urban system, the implementation of authentic citizen participation and the development of a comprehensive neighborhood impact policy. Such steps, we must finally emphasize, will only come from continued and expanding neighborhood organizing efforts.

Appendix A

One of the major sources of information about community-based organizing in the area of housing and mortgage lending abuses, the Disclosure Bill Hearings, repeatedly documents the necessity for hard data. It also documents the difficulty which community action groups can expect to encounter in the absence of data disclosure co-operation from the involved depository institutions. In light of these facts, some tips on statistics research will be helpful.

Possible Data Sources and Approaches

According to the Hearings records, the following sources for data to document the existence, extent and or effect of redlining disinvestment in a given city or community have been more or less productive:

- Annually-compiled Surveys of Real Estate Appraisers' Reports, available from the SREA Board of Trustees in each state. The exact title of these documents may vary. Community organizers should anticipate reluctance on the part of the Board to furnish data.
- A comparison of city county "Real Estate Guides" with the corresponding years' U.S. Census Tract Data. Census Tract data are easily available from the Department of Commerce Census Bureau, in Washington, D.C. Contact the city or state Realtors Board or its equivalent for information on obtaining "Real Estate Guides" or their counterparts.
- A comparison of the records of the County Recorder of Deeds with the U.S. Census Tract data for the corresponding years. Community organizers should expect to recruit a number of volunteers for this time-consuming and arduous task.
- An examination of city and or county tax records for existing mortgage data. (Organizers should also anticipate a large expenditure of time and personnel efforts for this approach.)
- A questionnaire survey of area depository institutions concerning mortgage and lending statistics and policies, and or a volunteer "undercover" campaign in which residents pose as would-be borrowers and pose leading questions to depository officers. The following survey questionnaire provides an example of one of the instruments employed.

SAMPLE COPY SAMPLE COPY

Westside Action Coalition
Housing Committee
Mortgage and Loan Applicant Questionnaire

1. Bank or Savings and Loan ____________
2. Name of Person You Talked To ____________
3. Address(es) of Homes You Used ____________
____
____
4. Would They Grant a Mortgage? YES ___ NO ___
5. If no, what were the reasons they gave? ____________
____
____
6. If yes, on what terms?
   Amount of Down Payment ____________
   Interest Rate ____________
   Life of Loan ____________
7. Where did they suggest you start looking for a loan on the Westside? ____________
8. If they wouldn't loan in the WAC area, would they agree to loan in another part of the city?
   YES ___ NO ___
   If yes, where? ____________
   ____

Comments: ____________
____

Your Name ____________

Date of Interview ____________

Testimony, Vol. I, p. 311.

Additional information on possible data retrieval sources and methods is contained throughout the Hearings records, in testimony from pro-disclosure advocates. The Records transcript may be obtained from the Government Printing Office. Request: Document 52-819 O, "Hearings Before the Committee on Banking, Housing and Urban Affairs, United States Senate, Ninety-fourth Congress, First Session, on S. 1281 To Improve Public Understanding of the Role of Depository Institutions in Home Financing," Vols. I and II.

Appendix B

The following document is part of the agenda employed at the Third National Housing Conference, Chicago, April, 1974. It may be helpful for planning other conferences on the subject of housing mortgage abuses.

NATIONAL HOUSING CONFERENCE
St. Sylvester School, April 27-28, 1974

Saturday, April 27

9:30 a.m. "This Neighborhood is Obsolete"—videotape of a nationally shown television program Bill Moyer's Journal which focuses on the problem of redlining in Chicago.

10:15 a.m. Panel: **"REDLINING—DISINVESTMENT"**
Community leaders *Wray Bailey* of Elizabeth, NJ; *Rev. Bernie Curey* of Milwaukee, WI; *Paul Bloyd* of Oak Park, IL; *Gale Cincotta* of Chicago, IL; *Pat Distefano* of Chicago, IL will discuss what redlining and disinvestment is—what are the first signs of it—what can be done to combat this bankers' rape of our communities.

11:00 a.m. Workshops:

PROXY—PLEDGE FIGHT
Using your money and voting power to have a say in policies of the local Savings & Loan—or "How to drive an S & L nuts"! Leadership: *Pat Distefano* of Southwest Community Congress in Chicago and *Julie Szalagyi* of Human Action Community Organization in Harvey, IL who have both led depositors' attacks on local Savings & Loans.

REDLINING—DISINVESTMENT
Three simultaneous workshops. Will discuss in greater detail the problems of redlining and disinvestment. Specific approaches and tactics on how to combat it will be presented.

ABANDONMENT
Direct action taken by a community to deal with HUD abandonments. A special feature will be a videotape of a public meeting with *John Waner*, Chicago Area Director of HUD. Specific strategies and actions will be discussed on how to eliminate abandonment. One of the main goals of this workshop is to develop national legislation to deal with existing HUD abandonments and to prevent further foreclosures and abandonments. Leadership: *Miles Sherman*, President of Brainerd Community Action Council and *Anita Williams, Frances Kuyo, Alicia Baker, Elroy Baker* from United Southwest Citizens. This is the first of 3 workshops which are planned as a progression, concluding with specific strategies locally and nationally.

1:30 p.m. Panel: **DISCLOSURE**
Congressman Frank Annunzio, House Banking and Currency Committee, will speak on the plans of his committee to make the FHLBB do its job. *Mr. Richard Platt* of the FHLBB will give Mr. Bomar's answer to the request for mandatory national public disclosure. Leadership: *Gale Cincotta, Marc Selone* of Chicago, *Fr. James Ford* of Providence, RI, *Rev. Bernie Curey* of Milwaukee, WI.

2:30 p.m. Workshops:

DISCLOSURE: DEVELOPING NATIONAL STRATEGY—
What does disclosure mean? How can it help locally and nationally? Developing a national strategy that will have payoff for local communities.

PROXY—PLEDGE FIGHT
A repeat of the earlier workshop for those who missed it, but who are interested in using voting and money power in dealing with a local Savings & Loan.

ABANDONMENT
Continued discussion of the abandonment issue and means of dealing with it.

REHAB
How do you make rehab work? *Mike Shymanski*, Landmarks Preservation Council; *Ann Harper* and *Debora Howard*, Voice of the People; *George Sample*, VISTA Architectural Services; *George Franklin*, Bickerdike Redevelopment Corporation all speak from practical experience of how rehab can be accomplished.

COMMUNITY DEVELOPMENT CORPORATIONS

What is a Community Development Corporation? How can one benefit your community? *Joseph Errigo* of the Commission of the Archdiocese of St. Paul and Minneapolis and *Richard Brustadt* of Greater Minneapolis Metropolitan Housing Corporation, *Gerson Green* of National Center for Urban Ethnic Affairs, Washington, D.C. will discuss alternative models for community development.

REAL ESTATE PRACTICES

This workshop features your friendly neighborhood panic peddler. Two community groups, Calumet Improvement Association and People of the Valley Community Organization, will demonstrate direct confrontation tactics on these realtors. We hope the Panic Peddler gets out of room 215 alive.

NEIGHBORHOOD HOUSING SERVICES

William Whiteside, Staff Director of the Urban Reinvestment Task Force, which is jointly sponsored by FHLBB and HUD, will describe this new idea in making mortgage and rehab money available to communities.

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Appendix C

Chicago Tribune

Ford signs redlining bill

New law bans 'bad risk' label

From Tribune Wire Services

WASHINGTON—President Ford has signed the "redlining" bill, a measure pushed by Chicago community groups and designed to prevent lending institutions from writing off whole neighborhoods as bad risks for mortgage and home improvement loans.

Another provision in the same bill extends until March 1, 1977, the regulation under which the government sets ceilings on interest that may be paid on savings accounts.

Starting in six months, banks and savings and loan institutions in metropolitan areas will be required under the redlining law to make public lists showing where their mortgage loans have been made.

THE PURPOSE is to enable consumer and neighborhood groups to bring pressure against banks that discriminate against aging urban areas, the practice known as "redlining."

Critics convinced Congress that urban decay becomes unavoidable in any area that has been redlined by a bank. Since newcomers are unable to obtain a mortgage in a redlined neighborhood, they say, the neighborhood cannot survive.

Banking groups opposed the bill. They said it would give vigilante powers to neighborhood associations.

THE BATTLE FOR enactment of a national anti-redlining bill was spearheaded by the Chicago-based Metropolitan Area Housing Alliance, a coalition of community groups.

The acknowledged leader of the fight was Mrs. Gale Cincotta, a determined housewife from Chicago's Austin neighborhood who also heads the National People's Action on Housing.

Their battle to save declining neighborhoods included street demonstrations outside savings institutions, attempted proxy fights, visits to the homes of banking officials, and withdrawals totaling millions of dollars from savings institutions accused of redlining.

Tribune Photo by [illegible]

Outspoken and energetic, Gale Cincotta's confrontation politics furnished momentum for adoption of anti-redlining legislation.

Redlining battle

Major victory for activist here

By Stanley Ziemba

GALE CINCOTTA let out a resounding whoop.

Mrs. Cincotta, from Chicago's blue collar Austin section, had just learned President Ford signed a mortgage disclosure bill to force banks and savings and loan associations to make their lending practices public.

"It's like having a baby, or at least a kidney stone removed," said the [illegible]-year-old housewife and community activist who played a prominent role in getting the legislation through Congress to Ford's desk.

"Few people may realize it yet, but this legislation represents an awfully big victory for the neighborhoods of Chicago and other cities across the country," she added. "It just could guarantee their survival."

THE LEGISLATION, she hopes, will expose and, ultimately, reverse a long-standing practice among lending institutions commonly referred to as "redlining."

Redlining is the systematic refusal by banks and savings and loans to make mortgage or home improvement loans in areas they deem risks.

Lending institutions, in effect, draw a red line around such areas and either refuse to make conventional housing loans there or impose a host of artificial restrictions on loans they do grant, such as requiring higher than normal down-payments or higher interest rates, neighborhood activists contend.

Neighborhoods victimized by redlining

Continued on page 4, col. 1

Local activist calls redlining law 'victory'

Continued from page one

generally are older deteriorating communities or those facing racial change, they point out.

"IT'S A SLEAZY practice," Mrs. Cincotta said. "When lending institutions cut off conventional mortgage money to a neighborhood, they are setting it on a road to inevitable decay and abandonment.

"One neighborhood after another in urban areas like Chicago has fallen victim to the red pencil of financial institutions. If it is allowed to continue, cities will cease to exist."

Although the new federal law won't stop redlining, it will give the public and Congress "a clear picture of what areas are subjected to the practice and what has happened t othem as a result," Mrs. Cincotta said.

"Then we can get on with the jot of initiating legislation and programs designed to breathe new life into these areas," she said.

FIGHTING REDLINING has occupied Mrs. Cincotta for the last six years. A Chicago native who has lived in Austin for more than 20 years, she is chairman of the antiredlining coalition of the Metropolitan Area Housing Alliance [MAHA] and national chairman of the National Peoples Action on Housing [NPAH].

MAHA is an organization of about 30 community groups from 15 Chicago neighborhoods and suburbs including Oak Park, Harvey, and Chicago Heights. NPAH is a national network of community organizations like MAHA. It has chapters in 30 states and 104 urban areas.

Both groups have been concerned chiefly with redlining and with fighting the Federal Housing Administration [FHA] over the disasters in its subsidized housing programs. Both operate from offices at 121 W. Superior St.

IN THE EARLY 60's, redlining had not yet become an issue. Most people, including Mrs. Cincotta, didn't even realize it existed.

However, it soon became apparent to her and others in Austin that school problems were closely tied in with other neighborhood issues, namely panic-peddling, housing deterioration, and block-by-block racial changeover.

Mrs. Cincotta and other activists set out in 1965 to unite PTAs, churches, and existing civic groups in Austin into a grassroots organization that could deal with the problems—the Organization for a Better Austin [OBA]. She served as its president in 1968 and 1969.

AS THE PANIC-PEDDLING tactics of real estate brokers intensified on the West Side, the OBA in 1970 linked up with the nearby Northwest Community Organization and the Our Lady of the Angels Real Estates Practices Committee to form the West Side Coalition to combat the practice.

When the coalition began dealing with panic-peddling in earnest, the existence of redlining became readily apparent, Mrs. Cincotta recalled.

"In an effort to stablize our community, we encouraged white families to seek housing here," she said. "But whenever we got a family interested in moving in, we couldn't find a lending institution that would give them a loan.

"It was apparent that panic-peddling and redlining went hand-in-hand," she added. "In order to stop panic-peddling, we realized we first had to stop redlining."

MARTINICH HARDWARE
MARTINICH
HARDWARE

Mr. ASHLEY. Dr. Naparstek, if you will proceed.

STATEMENT OF DR. ARTHUR J. NAPARSTEK, DIRECTOR, WASHINGTON PUBLIC AFFAIRS CENTER, UNIVERSITY OF SOUTHERN CALIFORNIA

Dr. NAPARSTEK. Mr. Chairman, members of the committee, I am very pleased to have the opportunity to provide testimony in support of the National Commission on Neighborhoods.

As we all know, our cities and the neighborhoods which make them up are in deep trouble. Currently, there is no national policy which can take into account the diversity of neighborhood needs to create a strong and comprehensive set of programs and actions to save these building blocks of the cities. An alternative to the pattern of patching up or quieting down urban neighborhoods is needed. There is something very wrong when there are not policies which prevent neighborhood decline, when there is no intervention until the process of decline is complete and the neighborhoods nadir is reached.

This is not to say that there are not programs and policies designed to prevent and reverse such decline. To the contrary, there are dozens of such efforts, including a multiplicity of Federal subsidy programs which impact directly or indirectly on neighborhoods. The lack of any comprehensive policy, however, means that the effectiveness of such programs is severely limited. Often they work at direct cross-purposes or serve to undercut each other. The 1974 President's Report on National Growth and Development depicts a range of ways in which Federal activities influence neighborhood life. The impact of the Federal Government is not limited to grants and loans to individuals and units of Government, but is also evident in the construction of public works, taxation policies, regulatory activities, management of credit, procurement of goods and services, the location of Federal installations and public employment.

There is a void in policy and rhetoric. Few, if any national leaders are discussing ways support can be provided for people to stay and reinvest in their communities. We do not have a national policy which provides guidance and deals with the ways citizens, local officials and representatives of the private sector can work together. Too often we find, a pattern persists where citizens lack the confidence in their officials' ability to do their jobs, and their related belief that city services are neither adequate nor tailored to their needs. Further, the trend toward decentralization focusing on neighborhoods in Federal program implementation and legislation is fragmented and uncoordinated.

The social and economic implications of Federal programs are not yet well understood. The problems which these programs address are very evident, but the solutions are few.

Currently, a policy framework does not exist which can provide guidance to local officials on the best programmatic means to solve their problems. One result of this is that we do not really know what works and what does not. There is a need to develop a policy concept which is sufficiently comprehensive and has the conceptual power to define systemic problems which deal with the varied needs of different neighborhoods.

Before such a policy can be formulated, however, we must first review, assess, and evaluate the multiplicity of programs and policies that already exist or have been attempted. A rigorous and comprehensive study of the urban and neighborhood systems must be undertaken in such a way as to determine what we have learned from past efforts. We must build on the knowledge and learnings that have been gained before creating a new universal solution to the problems that face us.

The influence of the Federal Government on neighborhoods is especially pervasive. Yet there has not been a comprehensive analysis of the impact these policies have on the neighborhood. Often Federal programs like federally assisted code enforcement, urban homesteading, sections 8 and 312 and various mortgage insurance programs work in isolation of each other, and can either damage neighborhoods or serve as mechanisms for revitalization. The impact is not clear, and before future policy options are offered, comprehensive assessment of current policies is needed.

Yet it is not enough to understand the complex array of Federal programs and policies and their neighborhood impact. The policies and actions of many other actors must be considered. State, county, and local units of government, plus the intricately interwoven private financial and lending community must all be scrutinized for their implications for neighborhoods. No single sector can take the entire blame for the current sorry state of our neighborhoods. Neither can there be any true solutions without the coordinated activity of each and every actor. While many of these have been studied in detail with regard to their impact on neighborhood viability, they have never been comprehensively viewed from the perspective of their multiple relationships.

I would like to give some broad examples of some policies, programs and actions at various levels of government which directly affect neighborhoods and which must be taken into account before any realistic national urban policy can be formulated. Then I would like to discuss in some further detail the implications of one or two selected examples.

At the Federal level, we can look at the community development revenue-sharing program administered by HUD. Each applicant is required to certify that its proposed program has been developed "so as to give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight." Instead of concentrating their activities in the most needy parts of town, participating communities have tended to spread their funds throughout their jurisdictions. The effectiveness of the program in deteriorating areas has thus been minimized. For example, the funding for St. Louis, Mo., under the CD program roughly equals the sum of moneys it received under the various categorical programs. A study by the New York Times found, however, that funds for the model cities areas in St. Louis have been reduced, and the new money is being poured into affluent neighborhoods in the form of loans and grants for rehabilitating homes and installing sewers, streets, and lighting. Similarly, in Little Rock, Ark., and Chattanooga, Tenn., substantial chunks of the cities' CD funds were allocated for the construction of tennis complexes in well-to-do suburban areas.

The experimental housing allowance program may be subject to similar criticism. It is difficult to draw any firm conclusions about the program at this point. However, one observation is clearly warranted, and that is that the program has caused and will cause a substantial degree of relocation. There are indications that the relocation of families receiving housing allowances may encourage the trend of inner city abandonment and reinforce real estate and mortgage steering of minority participants. The program is designed to improve the quality of housing of participating families. Whether it will accomplish that goal remains to be seen. A most troublesome question at this point is whether it will jeopardize the quality of neighborhood life among the nonparticipants.

Another area of inquiry would be in identifying obstacles which inhibit the success of reinvestment efforts. Preconditions for success or failure of most federally inspired reinvestment programs are often determined by the complex set of legal, administrative and fiscal policies. These policies can independently or collectively serve as disincentives or incentives for change. Currently a data base does not exist which links institutionalized obstacles to reinvestment efforts on a neighborhood level. Such policies may include local and State tax laws, city ordinances, regulations and executive orders, and judicial decisions which impact on the neighborhood.

Municipal officials and officers of the courts pass local ordinances and make judicial decisions on the basis of discrete problems. These decisions are implemented in isolation of what is going on in the city as a whole, or in particular neighborhoods. Thus local laws and judicial decisions are double edged, serving as either an incentive for improvement or change, or as a disincentive that exacerbates decline. Further, public actions can inhibit the processes of governance by making it extremely difficult to become involved in resolving a particular problem.

For example, structured disincentives could include: laws which protect absentee ownership, property tax assessment on improved properties, lack of differentiation between a tax on land and a tax on improvements, code enforcement and zoning.

Further analysis would relate to the varied administrative and political approaches to decentralization which are currently underway in cities and States around the country. The decisions facing local government on neighborhood-related issues are complex and politically hazardous. Local officials are confronted with a dwindling tax base, aging housing stock, increased numbers of aged and dependent people, underemployed, a breakdown in public service delivery systems, and finally the very real potential of default. In facing these issues, they must decide whether to focus attention on the very blighted neighborhoods, or the marginally blighted, or those still viable. With resources as scarce as they are, public officials are often in the position of having to choose between services to white middle class families who are threatening to leave the city, or services to the poor and minorities.

Other problems relate to the issues of decentralization: What degree of automony to grant neighborhoods, how to deal with overlapping jurisdictions of city services, how to create conditions which are conducive for citizen participation. These are only some of the problems and decisions facing city officials. Clearly the Federal Government must provide technical assistance and guidance in dealing with these issues as well as many others. It is a problem of national importance.

The Commission could put forth guidelines which would serve as a model for a comprehensive approach toward restructuring the procedures of governance through a mix of centralization and decentralization of services; the restructuring of financial systems with emphasis on subsidy and incentive programs; the melding of Federal funds and programs with local conditions; provision of oversight over relevant regulatory bodies in the context of neighborhood problems; and rearranging human and educational service delivery systems in ways which will increase utilization and decrease racial tension and polarization.

Greater knowledge and understanding of the processes of urban and neighborhood life would be of undoubted value to both public officials and private citizens seeking change at all levels of government. The determination of the appropriate roles and concerns for various units of government would considerably influence a variety of public decisions and policies. Yet, it is the Federal level that we must come back to, for there are limits on what it is appropriate for the Congress to determine for the States and local governments. Thus, I would like to take one case in further detail to make an additional point: namely, that in many cases it is not just new policies and programs which are required for the health of neighborhoods, but, instead to merely make proper use of the programs and policies already in existence. Of course, I speak of the Department of Housing and Urban Development, the Federal agency charged with the responsibility of maintaining and supporting our cities. HUD is involved in a variety of oversight, regulatory research, and program activities which directly impact on neighborhood life. Yet, in some ways HUD has become one of the biggest enemies of that life. Why? HUD is responsible for the issuing of guidelines for the utilization of community development revenue sharing funds. The failure to maintain tight regulations has resulted in the perversion of program intent mentioned earlier. The citizen participation components of the Housing and Community Development Act have been made meaningless by HUD's failure to exercise responsible oversight and this has done much to limit the credibility of this program. HUD has failed to use the powers available to it to prevent the heavy geographic concentration of FHA financing, a practice which has become equated with the unavailability of conventional financing and conventional credit availability is crucial to neighborhood stability. HUD has not been able to set up procedures which act against the practice of fast foreclosure before instead of after it occurs. HUD has done little to bring together, prepare to analyze and generally facilitate the data forthcoming under the provisions of the Home Mortgage Disclosure Act. HUD has done little to influence the various Federal banking regulatory agencies to inhibit discriminatory mortgage practices, including redlining of various types. HUD has even financed the very research models used by the lending industry to buttress its contention that traditional real estate appraisal methods which destroy neighborhoods are no more than "sound business practice".

Yet, HUD is not the only culprit. The entire panoply of Federal, State, and local actors have similar roles. But we can attack such failures only in piecemeal fashion until we have a clearer understanding of how all their actions fit together. And only a study on the scale envisioned by the National Commission on Neighborhoods can do that.

Thank you.

Mr. ASHLEY. Thanks very much for a good statement.

Mr. William Whiteside, staff director of the urban reinvestment task force.

Mr. Whiteside?

Mr. WHITESIDE. May I yield my place to Mrs. Cincotta?

Mr. ASHLEY. Indeed so. Thank you.

STATEMENT OF GALE CINCOTTA, CHAIRPERSON, NATIONAL PEOPLE'S ACTION

Mrs. CINCOTTA. Thank you. My name is Gale Cincotta. I am chairperson of National People's Action. I am here to testify for the need for national reinvestment policy. This past June, 2,000 grassroots people from 63 cities, people from Seattle to Providence, from San Antonio, from cities like Chicago to towns like Wooster, Ohio, came together for NPA's fifth annual conference in Washington, D.C.

Stronger than ever before, we reaffirmed our goal of neighborhoods first. I am happy to be here today to speak for NPA leaders and to find that Congressman Ashley's committee and the Congress have endorsed our neighborhood's first agenda by holding hearings on the need for a Presidential Commission to develop a national strategy for neighborhoods.

Since the National People's Action was formed in 1972, our efforts have been instrumental in the passage of the Home Mortgage Disclosure Act of 1975, 518(b) and 518(d) reimbursement legislation, and in the recent declaration of a national moratorium on FHA foreclosures and a national mortgage assignment program. These are significant steps toward our common goal of neighborhood preservation, but the urgency of the crisis that still confronts us demands positive and prompt action in the form of a national neighborhood reinvestment policy.

We have grown tired with the insidious throwaway mentality that pervades our society and classifies older people, older homes, and older neighborhoods as expendable-like pop bottles and used Kleenex. People live in neighborhoods and neighborhoods make up cities. We no longer have the resources to replace these neighborhoods at a cost which our people can afford. And even if we did, our neighborhoods are more than glass and steel, bricks and mortar. The fine quality of family life and sense of community which exists in a healthy neighborhood must also be preserved.

We need a national commitment that neighborhood reinvestment is a top priority of the Federal Government. In 1947, when Europe was in a crisis after World War II, a decision was made by our Government that saving European cities was top priority. A policy planning staff was established within the State Department to develop short-term and long-range strategies for what later was to be called the Marshall plan. The dollars were allocated to make it work. The older people of Europe were not considered disposable.

The Congress of the late forties was willing to pledge support to European neighborhoods. If this U.S. Congress of Bicentennial 1976 is willing to pledge its support to this country's neighborhoods and to the people who built them and believe and live in them, it will go down in history as a true act of representative government.

We will not sit back and watch our neighborhoods be destroyed by neglect and the pursuit of profit. National People's Action demands that the task of a national commission on neighborhoods be the immediate development and implementation of policies which will restore and preserve our neighborhoods. Our neighborhoods need a "Marshall plan" and the dollars to make it work.

The fact is that the financial institutions of the United States of America last year alone squandered $3.6 billion of the people's hard-earned savings on speculative and foreign ventures. To show that this comes at the expense of neighborhoods, let me quote you the savings and home loan figures for the two largest banks in Chicago, First National and Continental, as documented by the 1976 Chicago City ordinance disclosure data.

Continental and First National banks took in over $1.34 billion in savings deposits from city neighborhoods in Chicago in 1974. Yet they loaned only $7.8 million in conventional mortgages to the city neighborhoods. The suburbs, on the other hand, with only $319 million on deposit with First National took in over $25 million in home loans, for a whopping return of 8 cents on the dollar. Continental loaned $36 million to the suburbs.

At the same time, these two institutions, while writing off our neighborhoods, have lost $163 million of our hard-earned savings on bad loans in speculative investments such as real estate investment trusts. This $163 million is four times the amount the city of Chicago receives from the Federal Government in community development funds, nationally almost three times the allocation to the cities in community development dollars has been lost on speculation by private sector.

And I think as our communities and we fight for programs and how to spend the very few community development dollars that come into the city, when you have the private sector on the other hand throwing this much money away without anybody taking a close look at how it is spent and where prudent lending and decisions come in, I think we are losing neighborhood people's hard-earned savings. And I think there has to be a balance of private sector putting money back into the city.

The HUD loss figures have been publicized so many times they have lost their shock value, 74,000 abandoned FHA single-family homes. But it does seem incongruous that HUD continues to lose almost as much money annually as Congress allocated to the entire Nation for the implementation of the Community Development Act.

What now alarms us is that we see the same mistakes which have led to the HUD disaster replicate in the implementation of the Community Development Act. In Chicago, $3 million of first community development funds were allocated to financial assistance to property owners, but $1 million was later transferred to cover the Model Cities bureaucracy. To date, only eight home loans have been made under the program. Another $1 million of first year community development funds was allocated for rehabilitation of repossessed FHA properties. No homes have been rehabilitated to date under this program.

Recent testimony revealed that city after city misdirected community development funds toward parking garages, athletic fields, and the like, while the demand for reasonably priced housing nears the bursting point. In the 312 loan program in Chicago, community development loans have gone to upper-middle income persons in 67 percent of the cases, in Chicago that means the Lincoln Park area, frequently for luxury or extravagant reconstruction.

As I mentioned earlier, healthy neighborhoods are more than brick and mortar, glass and steel. When the private sector disinvests our neighborhoods and deficient public sector programs fail to fill the void, all the people in the community suffer other forms of disinvestment. The fine qualities which existed in the once healthy neighborhood must also be restored.

The streets of our cities are no longer safe. Senior citizens who have helped to build our neighborhoods are afraid to go out to the store, are forced to live in inadequate housing, pay higher rents and receive poor health care. Federal, State, and local programs are paying "lip-service" to our parents' and grandparents' needs.

Our parents are not the only victims of crime. Our children are exposed to hard drugs, women on our streets are raped, and our homes are burglarized while politicians continue to garner votes on law-and-order platforms.

While we watch our neighborhoods continue to go down, we see our utility bills soar. Utility monopolies draw a blank check from governmental regulators and continue to squeeze neighborhood people for their last dollar.

Thus a whole range of neighborhood problems must be addressed by a National Commission on Neighborhoods. President Ford's response to the challenge has been to name a high level task force chaired by HUD Secretary Carla Hills. That panel is not the proper vehicle for such an effort. That group is riddled with the type of closed door, elitist attitudes which originally fostered neighborhood decline. There are no community people on that Committee.

The Commission proposed by this Committee, by way of contrast, has a tremendous potential to establish a neighborhood policy based on community input and advice. We call on the 1976 Congress and the proposed national Commission to implement the following recommendations:

First, double dollars—matching dollars for cities which use their community development funds to rehabilitate existing housing stock in older neighborhoods, with administrative costs not to exceed 10 percent.

Second. Urban Reinvestment Task Force expansions to a level of $100 million, $75 million NHS, $25 million NPP. I think this is one of the only programs that we know that has put together private sector community people and city officials. And I know Mr. Whiteside is leery about expanding it too fast but it is a program that encompasses what you do need in a city. And I do know that you did give him $7½ million but I think you should give him more.

Third, a comprehensive program to rehabilitate the thousands of abandoned HUD properties. Existing housing stock must be preserved.

Fourth, a national anti-redlining law which would prohibit geographic as well as racial discrimination in lending.

Fifth, investigation into secondary mortgage market, FMNA, Freddie Mae, GNMA.

Sixth, incentives in the form of tax breaks, lower interest rates, and so forth, to encourage purchase and/or rehabilitation of homes in older neighborhoods. An end of disincentives which encourage new development.

Seventh, complete overhaul of HUD and restructuring of FHA.

Eighth, Federal regulation and licensing of the mortgage banking industry and individual brokers.

Ninth, the 518(b) and 518(d) reimbursement program must be overhauled and given separate office status in HUD.

Tenth, comprehensive legislation establishing uniform mortgage forbearance policy nationally.

Eleventh, home repair grants and loans, rent subsidies, and property tax reductions for the elderly.

Twelfth, immediate enactment of national generic drug substitution legislation to ease the cost of rising prescription drug prices.

Thirteenth, Law Enforcement Assistance Administration—Federal allocations to be used to finance community-initiated crime prevention programs and less police-controlled programs.

Fourteenth, that the full power of the Federal Government be directed toward wiping out hard drugs in our neighborhoods.

Fifteenth, that Congress immediately enact national lifeline legislation to restructure current inequitable utility rates.

Our neighborhoods believe that our system of Government was constructured to meet the changing needs of the people. Congressmen, these needs are not being met. The neighborhoods are organized and determined to see that our system of Government is one that serves the people. We are organized and determined that our neighborhoods shall survive.

We pledge our full support for the implementation of a national neighborhood reinvestment policy.

Mr. Ashley. Mrs. Cincotta, thank you very much.

Now, Mr. Whiteside.

Mr. Whiteside. Thank you, Mr. Chairman. I will submit my prepared remarks for the record and just very briefly highlight them in my oral presentation, if I may.

Mr. Ashley. Thank you, Mr. Whiteside. The full statement will be submitted for the record.

STATEMENT OF WILLIAM A. WHITESIDE, STAFF DIRECTOR, URBAN REINVESTMENT TASK FORCE; DIRECTOR, OFFICE OF NEIGHBORHOOD REINVESTMENT OF THE FEDERAL HOME LOAN BANKS

Mr. Whiteside. It has really been a pleasure to be here this morning to hear the presentations and to hear the questions and the comments by the members of the subcommittee. I am impressed at the level of knowledge and interest that the subcommittee displays. I think this augurs well for the future of neighborhood preservation.

Your interest in neighborhood preservation is something that we share. But before getting into that, let me comment that I think there is real significance in the fact that the Urban Reinvestment Task Force, with the sponsorship of the Federal Home Loan Bank Board, HUD, the Federal Reserve, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency, at the same time works very cooperatively with Mrs. Cincotta's group and with Monsignor Baroni's group. It is a unique position we have been privileged to have, and one that we really treasure. I think there is a significance to my sitting with this panel that should not be lost on the committee.

There is an additional area of intense interest in neighborhood preservation that has been referred to, but which I would like to underscore, and this is in the cities. As they have been empowered through community development block grant funding to take a lead in neighborhood preservation, they have been actively seeking ways to do this. They have been actively seeking instruments, and many have selected our neighborhood housing services as one of their instruments.

I might note, Mr. Chairman, that the most recent addition to our list of cities with neighborhood housing service programs in development is Toledo, and we are beginning work there very shortly.

The discoveries that we have made as we have worked in the neighborhood preservation effort include the observation that neighborhoods are extremely complex, that there is an interdependence in the human factors, the economic factors, and the physical factors that has been little recognized. In supporting this bill, I think a further study of this interdependence and a further documentation of it is extremely important before the Federal Government launches out in any major programs directed specifically at neighborhoods. Because, as has been amply testified to here today, Federal programs have already done a good deal of damage to neighborhoods by not taking into consideration these subtle factors.

I was delighted with the action of the conference committee on the HUD appropriations bill, in its endorsement of our work, which produced a recommendation to HUD that they increase our funding to \$4½ million. This increase is currently being implemented. The task force members have approved the expansion. We are in the process——

Mr. **Ashley.** Mr. Whiteside, just a minute.

What is it, Mr. LaFalce?

Mr. **LaFalce.** Mr. Whiteside, if I may interject at this moment, you said the conference committee increased the appropriations for the task force to \$4.5 million? What had it been prior to that?

Mr. **Whiteside.** \$2.5 million was projected for the coming fiscal year.

Mr. **LaFalce.** Projected by whom?

Mr. **Whiteside.** By HUD.

Mr. **LaFalce.** Thank you.

Mr. **Whiteside.** And by the task force. In other words, we had a 5-year funding agreement with HUD, and it was to go at a \$2½ million dollar per year level through 1976, 1977 and 1978.

Mr. LaFalce. I understand that well, Mr. Whiteside. I am not sure that HUD did.

Mr. Ashley. Now, I think we are going to proceed as was outlined by the Chair so the witnesses will all be heard and we will have time for questions.

Mr. Whiteside. In our expansion plan, which is currently being implemented to utilize the additional funding, we are approximately going to double our operation by the end of 1976, at the level of operation that we have had thus far, we will have assisted the development of 31 neighborhood housing services programs around the country. We anticipate that at the increased level of operation that we will be able to add 24 programs during calendar 1977 so that by the end of 1977 there should be 55 neighborhood housing services programs functioning.

If funding at this level can be secured in fiscal 1978 and 1979, we expect to see over 100 neighborhood housing services programs functioning around the country by the end of the seventies as a result of our efforts.

Let me speak briefly about what neighborhood housing services is, because I think it has been a unique experiment and it has cast some light on what is needed in neighborhoods, and a review might be helpful to the subcommittee in its deliberations.

Basically, as I think is well-known, the model was created in Pittsburgh by a local coalition of neighborhood residents, local lenders, and the city government. They had no help from anyone. They were not even trying to create a national model, they were trying to solve some problems in the central-northside in Pittsburgh. We discovered this model in 1971, got well acquainted with it, and by 1972 were starting to replicate it on an experimental basis in other cities.

Critical elements of neighborhood housing services are this partnership of residents, lenders and local government. It is a group of residents who are willing to become deeply involved in neighborhood housing services, will give it their leadership, will serve on the board of directors as a majority of the board of directors, and will give of their energy and leadership in selling to the neighborhood the concept that the neighborhood can come back.

It is a group of lenders who will agree to intensify their lending in the neighborhood, who will agree to make all the bankable loans generated by the program—loans to people who can meet their underwriting criteria as individuals—waiving any doubt they might have had about the neighborhood in the past, joining in the self-fulfillng prophecy that the neighborhood is coming back. The lenders also contribute the operating costs in most of the neighborhood housing services on an annual basis.

The city government involves itself by targeting special attention to the neighborhood, by bringing the service levels up to the level that obtains across the city, by taking care of needed public amenities in the neighborhood. We find that when people have lost confidence in a neighborhood that public investment suffers as well as private investment. The city needs to get involved in a major way to deal with this.

The city also needs to conduct a sensitive housing inspection program to make sure that over a period of years, every single residence in the neighborhood can be brought up to minimum code standards and above.

To make this work, you need a source of financing for every homeowner. The loans to the bankable homeowners by the financial institutions are an important part of this, but a high-risk revolving loan fund is another important part, to make loans to residents who do not meet anyone's underwriting criteria. Loans to the elderly, loans to residents with a bad credit history, loans to residents who are subject to marginal employment.

The high-risk revolving loan fund which each neighborhood housing services has administers usually amounts to a target of $300,000 or more. They range well above that in some of the older programs. Neighborhood Housing Services of Pittsburgh, for instance, has about $850,000 in its high-risk revolving loan fund. This money is lent at flexible rates and flexible terms to homeowners who need to improve their homes and who simply cannot qualify anyplace else.

The result of having these two sources of lendable funds is that every single homeowner in the neighborhood can qualify for some financial help to improve their homes.

Finally, the NHS has a small but highly qualified technical staff that counsels the homeowners on their financial problems, that counsels the homeowners on their construction needs, that monitors construction and makes sure the homeowners get the product that they have contracted for, that monitors the city's performance and performs liaison with the city in bringing the whole neighborhood back.

To bring this program about, the task force has devised a unique developmental process. In another context, Senator Proxmire made a comment about my being "a rare bureaucrat." I particularly appreciated that because in our developmental process we have tried not to be bureaucratic at all. We have tried to approach each neighborhood on its own merits to deal with the particular political realities of each city, to deal with the cultural realities of each neighborhood, and to tailor the program to what exists in that city. I think we have been highly successful at it thus far.

It is a painstaking process, and it is a process that once you have started you can't really give up on. You have got everyone's equity out there. You have the city out there. You have the financial institutions out there, neighborhood leadership out there, committed to the program, so we have to follow through. We have to produce a program, once we have committed ourselves.

Typically, this takes us 8 to 10 months. In some difficult situations it has taken us well over a year. But we have hung in and produced a neighborhood housing services program to fulfill the expectations of the local partners in the program.

We think we may be at the beginning of a national breakthrough in understanding what it takes to bring neighborhoods back. I think there has been a good deal of attention to what makes neighborhoods decline. We are particularly interested in what it takes to bring them back.

The results in neighborhood housing services, I think, need to be measured in neighborhoods turned around and in homes improved. The number of loans made is important, but we are discovering that there is a spinoff factor, an element that is hard to measure until you look back for a year or two.

Let me take Cincinnati as a case in point. Out of a given 20 homes that have been inspected and been found to need work in Cincinnati, they discovered that 15 of the homes were brought up to at least minimum city standards by the homeowners, out of their own resources. You don't quite know where they received the money. Out of their savings? Out of loans that they received independently? The work was finished. The building permits were taken out and the work was done.

Out of the other five homeowners whose homes needed work, four were referred to cooperating financial institutions which are working with neighborhood housing services and only one required the resources of the high-risk revolving loan fund. We think that is very impressive leverage, and we think that is the kind of leverage this program can produce.

Now, I think it is obvious that the level of neighborhood is important in the ability to produce this kind of leverage. The neighborhood housing services program is not a program to solve all of the kinds of problems that have been talked about in great detail here today. It applies to a particular slice of neighborhoods where you still have basically a working population, where you still have basically sound structures, where you do not have a very high degree of absentee ownership and a very high degree of deterioration or abandonment. But that slice of neighborhoods is significant in every city that I have visited, and it seems to me, being able to hold the line on those neighborhoods is extremely important to us as a Nation.

Neighborhood housing services is serving an important function in the community development block grant program in that it has been a living laboratory in how to work with neighborhoods. We discover a constant stream of visitors to every NHS program. Visitors who want to know how it works, visitors from city governments, visitors from other neighborhoods, visitors from other cities and other States who are excited about these programs where something is being produced. And we think that is an important output of the whole process.

In conclusion, the task force has another program, which was mentioned by Mrs. Cincotta, our neighborhood preservation projects, where, in an outreach to find other things that are working, we are giving modest grants to programs showing promise for example, of being able to deal with commercial district decline, being able to deal with multifamily problems, being able to deal with the problem of abandoned structures. We do not have good, solid answers in these areas yet, as we have in the primarily single-family neighborhoods that NHS serves; but we are looking hard for things that work. As we discover them, we will begin our replication process, adding them to complement the NHS program and offering them to other cities and neighborhoods throughout the country.

The Urban Reinvestment Task Force has demonstrated a considerable commitment to the neighborhoods, and I think that is the critical element. As a catalyst, we are bringing the resources of the Federal Government and frequently of State government, always of local government and always of financial institutions, to the neighborhoods to serve the neighborhood. I think we have got the priorities right, and I think that first priority of serving the neighborhood is important to consider in structuring the study Commission that you are developing through this legislation and in future Federal programs. But I think we should not kid ourselves that there is any "fast six" for neighborhoods.

I was delighted to hear again Mrs. Cincotta's recommendation that we receive $100 million, and I wish I knew how to use that amount of money effectively. We are interested in expanding this effort, and we will expand the effort. But we have to maintain the quality of the effort; otherwise, we are dealing with just words and dollars, and they aren't going to do the job.

So I would like to again thank you and tell you that we are learning a great deal about neighborhood preservation, and we are looking forward to sharing this with the study Commission, which, I trust, is going to be created as a result of your deliberations.

[The prepared statement of Mr. Whiteside, with attached appendix, follows:]

STATEMENT OF WM. A. WHITESIDE
STAFF DIRECTOR, URBAN REINVESTMENT TASK FORCE
AND
DIRECTOR, OFFICE OF NEIGHBORHOOD REINVESTMENT
OF THE FEDERAL HOME LOAN BANKS
BEFORE THE
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
OF THE
COMMITTEE ON BANKING, CURRENCY AND HOUSING
SEPTEMBER 9, 1976

Good morning, Mr. Chairman. I am Wm. A. Whiteside, the Staff Director of the Urban Reinvestment Task Force and the Director of the Office of Neighborhood Reinvestment of the Federal Home Loan Banks. I want to thank you for this opportunity to discuss the Urban Reinvestment Task Force and its neighborhood preservation programs in testifying on H.R. 14756 and to present some general observations on urban neighborhood policy.

In the testimony that follows, I will discuss first the initial development of the Urban Reinvestment Task Force and the origins of our major program, Neighborhood Housing Services. With regard to NHS, the testimony describes the essential elements of the program, along with detailing its key features. This is followed by discussion of our other program, Neighborhood Preservation Projects, and the creation of a national loan purchase pool in Neighborhood Housing Services of America. The balance of my statement deals with Task Force accomplishments, capacity and objectives, along with urban neighborhood policy considerations.

Let me begin by commending your interest in the important area of neighborhood preservation. We share this interest and are convinced that, at a fraction of the cost of new development, the Nation's cities can take advantage of our urban infrastructure and preserve and renew our urban amenities and urban communities.

Preserving neighborhoods, however, represents a complex and delicate undertaking because a neighborhood is made up of interdependent human, economic and physical elements. As a complex social, physical and economic entity, it is a basic building block of society and great care must be taken so that programs designed to assist do not produce unintended negative side effects.

The Urban Reinvestment Task Force has developed a unique and painstaking process for dealing with these complex factors and is bringing into existence genuine partnerships of community residents, local government and the private sector. I believe this process, and the local programs which we can introduce as models nationally, offer the potential of a national breakthrough in neighborhood revitalization. The main program of the Task Force, Neighborhood Housing Services, can be replicated in enough locations to provide the models and experience necessary for further local refinements, and to generate a broad spin-off of other types of neighborhood preservation activities.

We were delighted with the action of the Conference Committee on the HUD appropriation bill (H.R. 14233) in allocating an increase in the demonstration grant support of the Task Force's activities provided out of the HUD research budget. The Urban Reinvestment Task Force members have recently approved an expansion of the activities of the Task Force, and the Office of Policy Development and Research of the Department of Housing and Urban Development is presently working on an inter-agency agreement amendment expanding Task Force funding to $4.5 million in FY 1977. We expect by the close of calendar year 1976 that there will be 31 operational NHS programs and that this increased funding level will enable us to bring an additional 24 on stream during calendar year 1977, for a total of 55 cities with operating NHS programs. Given continued funding at this level in FYs 1978 and 1979, we should conclude the 1970's with in excess of 100 NHS programs as neighborhood preservation models, spread over every section of the United States.

The competence of the Urban Reinvestment Task Force to operate in this sphere goes back to the early 1970's, when the Federal Home Loan Bank Board became acutely aware of the deterioration of urban areas and the role the financial industry could play in relation to some of the problems facing our cities. While actively seeking out programs that were aimed at revitalizing declining city areas, the Bank Board discovered one such program in Pittsburgh, Pennsylvania, called Neighborhood Housing Services, which was demonstrating success. NHS of Pittsburgh had created a partnership between the local government, community residents and financial institutions and, as partners, these three groups were cooperatively working toward halting decline in Pittsburgh's Central Northside neighborhood. After a thorough study of the program, the Bank Board began experimentally replicating this program model in other cities. The model was refined in successive experiences, and it has been successfully adapted to varied cities.

By 1974 the Federal Home Loan Bank Board had brought four NHS programs to an operational stage and had nine others in various stages of development.

Formation of Urban Reinvestment Task Force

On April 22, 1974, the Department of Housing and Urban Development and the Federal Home Loan Bank Board announced the establishment of the Urban Reinvestment Task Force to expand on the initial efforts.

This Task Force, with the Secretary of Hud and the Chairman of the Bank Board serving as co-directors, received initial staffing and administrative assistance from the Bank Board and $3 million in HUD demonstration funds as the result of an inter-agency agreement between the two agencies. The funds were for Fys 1974 and 1975 to enable the Task Force to replicate Neighborhood Housing Services programs, to create a national loan purchase pool for the NHS High Risk Revolving Loan Funds, and to support and monitor other promising [illegible] of neighborhood preservation. Approximately two-thirds of these funds are channeled by the Task Force into grants for NHS High Risk Revolving Loan Funds and Neighborhood Preservation Projects.

In July of 1975, HUD and the Bank Board amended the inter-agency agreement, providing for a funding level of $2.5 million annually through FY 1978, and $1.5 million in 1979, making this program HUD's major national neighborhood preservation demonstration. The membership of the Task Force was expanded September 1975 to include a member of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chairman of the Federal Deposit Insurance Corporation.

Neighborhood Housing Services Expansion

As a result of the earlier efforts of the Federal Home Loan Bank Board, and the more recent activities of the Urban Reinvestment Task Force, NHS programs are now operating in 25 cities, in addition to the original program in Pittsburgh. For a listing of these cities, see Appendix.

NHS Features

We have found that a successful NHS program must operate in a neighborhood in which the housing stock is beginning to show signs of deterioration but yet remains basically sound, and where there is a high degree of homeownership. The program has 5 basic elements: 1) residents who want to preserve their neighborhood, improve their homes, and who are willing to provide the leadership and make the effort to establish and participate in a NHS program; 2) local government which seeks to improve the neighborhood by making the necessary improvements in public amenities and by conducting an appropriate housing code inspection and compliance program coordinated with NHS activities; 3) a group of financial institutions which agree to reinvest in the neighborhood by making market rate loans for qualified borrowers and tax deductible contributions to the NHS to support its operating cost; (4) a high risk revolving loan fund to make loans at flexible rates and terms to residents not meeting commercial credit standards; the funds being provided by private foundations, industry or government; and (5) a NHS organization, which is a state-chartered, private, non-profit corporation having a board of directors of which a numerical majority are community residents, along with significant representation from financial institutions, and a three-member staff.

Neighborhood Housing Services programs represent a blend of private-public-community involvement in a working partnership, with each group strongly represented and respectful of the others' positions. This partnership must be constructed with the greatest care. Key features of the NHS model are:

It is a local program. The role of the Urban Reinvestment Task Force is to act as a catalyst and facilitator. The Task Force brings to each local situation detailed knowledge of the program and the way in which it may be adapted to the local situation. Local program policy, administration and implementation are responsibilities of those on the local level.

The program is nongovernmental. Even though some public funds are included, control is vested in a board of directors of the private corporation which consists of community and financial insitution representatives. There are few governmental regulations to follow, and therefore, the board has freedom and flexibility in its operation of the program. The essentially nongovernmental nature of the program is essential for involving the key parties.

The program is nonbureaucratic. Each program develops its own priorities and policies. Although the Task Force may provide technical assistance in helping to establish operating procedures, important decisions which affect the loan or the relationship of NHS to the community are made by the NHS board. The program is very flexible.

The program is a self-help effort. The involvement of local citizens is regarded as extremely important by the financial institutions, funding sources and city government. Strong citizen interest indicates neighborhood pride and is a major factor in convincing potential lenders that the residents care about the neighborhood and want to remain and maintain it. NHS operating costs are funded entirely through local sources, and local contributors supply much of the high risk loan fund. Emphasis on local funding is part of the self-help element of the NHS model.

The NHS program is not a give-away. The high risk loan fund is a revolving loan fund; even for high-risk applicants there must be a prospect for repayment. The fact that the program is not a give-away is an important feature in the eyes of the financial institutions and funding sources, and it effectively communicates the program's philosophy that property upkeep is the responsibility of homeowners and other property owners.

The program is concentrated on specific neighborhoods. The NHS program addresses itself to neighborhoods which are basically sound, but which are deteriorating. Concentration of the program's effort into a small enough area to be manageable is important.

The Developmental Process

Bringing a viable NHS program into operation requires an effort lasting eight months or more. The first months are spent developing working relationships with the local government, community and financial representatives, and selecting a local Task Force staff person with the skills and local knowledge necessary to work out cooperative relationships among the various participants.

When the necessary relationships have been developed, a ten-week process is commenced and the NHS concept is introduced to a group of approximately 40 people, representing financial institutions, the community at large, and local government and regulatory bodies. These individuals adapt the NHS model to local conditions and form committees to work on the details of selection of the NHS neighborhood, funding, neighborhood priorities, governmental services, and incorporation of the NHS itself. Residents of the neighborhood chosen for the program are then immediately brought into the process, fully informed about the NHS concept, and involved in creating the resulting non-profit organization. Once the NHS has been established, the Task Force aids in securing funding, selecting and training permanent staff, and establishing operating procedures.

When the program has become fully operational, a seminar is arranged for lending officers and appraisers of all participating financial institutions, fee appraisers, representatives of private mortgage insurance companies, and regulatory agency examiners. The purpose of this seminar is to expose those "on the firing line" in the financial community to the program so that they can revise their expectations about the neighborhood, and see personally the renewed confidence in the neighborood's future. At this point, direct outside support is phased out, except for liaison and informational assistance, and the NHS becomes an independent, autonomous program.

Financial support of $30,000 to $50,000 from a local source is required to support the local expenses of a NHS developmental program. After becoming operational, NHS operating expenses approximate $60,000 per year per neighborhood, on an on-going basis. A high risk revolving loan fund must also be funded to a level of at least $300,000 per neighborhood over a two or three year period. Local government, foundations, and Federal Home Loan Banks have been the primary sources of developmental funds. Financial institutions normally have contributed the operating budget, and high risk revolving loan funds have been contributed by foundations, industry, and by local governmental bodies which have committed Community Development Revenue Sharing Funds; and many will receive Task Force grants of $65,000 to $100,000.

NHS Results

The original Neighborhood Housing Services, Inc., formed in Pittsburgh in 1968, has, over an eight-year period successfully increased the flow of capital into a formerly decling neighborhood and demonstrates the long term potential of this approach. During the first five years, about two-thirds of the more than 300 NHS loans were concentrated in the Central Northside. This investment generated more than 400 mortgages and home improvement loans from savings and loans and banks. Home improvement lending increased by 97%, building permits went up 245%, code violations were removed from more than 1,200 homes, and numerous additional homes already meeting the code standards were improved. As a result of this NHS activity and its effect on confidence in the neighborhood, real estate values have increased by more than 60%.

In the past eight years, the Pittsburgh NHS has continued to be the model for other NHS programs around the country. It has not only maintained its vitality, but has grown both in geographic scope and in the range of services provided to residents. Through a coordinated program of low-interest loans, sensitive housing code enforcement, and the encouragement of private-sector lending, Pittsburgh NHS has helped to "turn around" the Central Northside. From 1969 through June of

1976, 398 loans totalling $1,019,344 were administered through the NHS High Risk Revolving Loan Fund. In the first six months of 1976 alone, approximately 430 clients were serviced by the NHS staff through loan referrals, loan servicing, budget counseling supply tools, and supervising and controlling construction work.

As an example of one of the newer programs, the Neighborhood Housing Services program of Baltimore, Maryland was organized during the spring and summer of 1974. In August of 1974 the NHS was incorporated, involving a partnership of strong community groups, twelve savings and loan associations and city government. Since incorporation, commercial banks have provided a special loan pool to purchase participations in loans made by the high risk revolving loan fund. The Baltimore program has made a stong visual impact on the East Baltimore community's housing stock. The program has counselled over 379 new clients during its 2 years of operations, and has monitored over 160 construction jobs. It has made 54 high risk loans totalling $237,394 and generated 93 private loans totalling $594,900. As well as its role in the neighborhood revitalization in Baltimore, the Baltimore NHS has assisted the Task Force's dissemination of information on the NHS concept by hosting tours of its neighborhood.

In June of 1975, the Urban Reinvestment Task Force initiated a management information system for the purpose of monitoring the activities of the NHS programs. This reporting system provides information on the activities of the counseling staff, the revolving loan fund and the referral system to financial institutions, as well as figures on the number of building permits, code inspections and abatements and mortgages recorded in the NHS target area.

Twenty programs have a continuity of reporting which provides evidence of the national impact of the NHS program. For data on these programs, see Appendix.

In 1975, the Department of Housing and Urban Development commissioned an independent consultant to assess the work of the Task Force. The resulting report presented the following conclusions:

> "The Urban Reinvestment Task Force is essential to the the development of NHS's. All of those interviewed agreed that without the Task Force the program would not have been created. The Task Force successfully uses a workshop process as its vehicle to create the local commitments necessary to start a NHS.
>
> "The lenders, neighborhood residents, and city officials involved in the program are enthusiastic...
>
> "Most of the NHS neighborhoods selected have been good choices...
>
> "Leadership is the key to success of the developmental program. The Task Force has made good choices in its selection of personnel...
>
> "The NHS program is more than a high risk loan fund and therefore it must be judged accordingly... Although hard quantifiable data is scarce, there is evidence to support higher levels of investment in most of the neighborhoods...

"The direct effects of the program in terms of the number of high risk loans made have not been large...

"Available evidence is inconclusive with respect to changes in the availability of conventional financing in the NHS neighborhoods. All of the NHS's have been able to secure financing for bankable applicants from participating institutions; however, not every participating institution has been willing to make bankable loans...

"Some fund raising problems have been encountered. NHSs have had difficulty raising funds, but each NHS benefits from raising operating and high risk funds locally, in spite of these difficulties. Full federal funding of the organizations would be detrimental to the local programs.

"The objectives of the Task Force are appropriate to neighborhood stabilization and are being carried out by the NHS's.

"The NHS program has developed in a manner consistent with the general model...

"The basic structure of the NHS model is transferable among local municipalities...

> "The performance of an NHS program cannot be deduced from the level of a given input into the program... An inadequate commitment on the part of one of the parties may be more than compensated for by the commitments of the other two. In addition, there is a trade off between the level of deterioration of a neighborhood and the magnitude of the commitments required to make the program successful..."

The NHS program is a demonstration model of a coordinated reinvestment strategy. The Task Force is demonstrating the success of the model and of the process for replicating it.

It must be emphasized, however, that this program is not a panacea. It does not appear suited to neighborhoods which are characterized by poverty income levels, heavy absentee ownership, severe vandalism, abandonment, and demolition. Rather, it is suited to neighborhoods which have not yet become severely blighted, but which appear to be in the beginning stages of a cycle that could lead to a blighted condition if not reversed.

The success it has had in "turning around" neighborhoods is demonstrating that a joint effort by these essential partners, intervening at the appropriate time, is an invaluable urban conservation tool. The effort is difficult however, and requires a strong commitment to the neighborhood and to the quality of urban life. The Task Force has itself demonstrated a commitment to the success of each program, staying with each program until it is ready to function independently, and then offering any support or assistance that will further the program.

Neighborhood Preservation Projects

The Urban Reinvestment Task Force is also participating in the developmental funding of a limited number of selected demonstration projects, called Neighborhood Preservation Projects (NPP). The Task Force is identifying, monitoring, and evaluating locally developed neighborhood preservation programs which show promise of potential replicability in other cities. Those programs selected receive modest demonstration grants toward data collection, documentation, and support of the project itself. For further information and a description of the NPP's approved for funding in FY 1975 and FY 1976, see Appendix.

National Loan Purchase Pool

Neighborhood Housing Services of America, a non-profit organization, has been established to provide a national loan purchase pool for the purpose of maintaining the liquidity of NHS revolving loan funds, and providing technical assistance to local NHS programs. With the support of a $250,000 Task Force grant (under HUD's demonstration grant to the Task Force), NHSA has designed loan purchase procedures and is now implementing them.

Over $4 million is in the revolving loan funds of the 26 existing NHS programs, with commitments over the next two years totalling about $10 million. This amount, however, is very limited in view of the task facing the NHSs. Funding delays could make it difficult for individual programs to maintain the continuity and momentum of their work without the "safety valve" provided by the NHSA loan purchase pool.

The NHSA Board of Directors is currently involved in a fund raising effort to expand the loan purchase pool, and has established a goal of raising $2-3 million per year. The Task Force is assisting in this effort by encouraging both private and public contributions to NHSA, and plans a further $500,000 grant to NHSA in FY 1977.

Task Force Accomplishments

The Task Force has developed and demonstrated the success of a sophisticated process for replicating NHS programs. It has demonstrated that it is possible to implement programs which require the participation of neighborhood residents, the private financial sector, and several levels of government. It has successfully leveraged a minimum of Federal dollars with funds from cities, private lenders, foundations and individual homeowners to revitalize and preserve valuable urban neighborhoods. And, it has accomplished these objectives with minimal red tape and maximum impact.

However, there are limitations to the NHS concept and to the Urban Reinvestment Task Force's efforts which should be recognized. First, the process of replicating the NHS program is a delicate and time-consuming undertaking. Steps which appear insignificant in fact are not. Much of our staff time is spent in acting as "translator" to the divergent groups to increase mutual trust levels and demonstrate to them that everyone gains from the reinvestment program.

Further, the Urban Reinvestment Task Force is involved in an effort to develop models which others can follow. It is not seeking to implement a massive Federal program on a national basis; it is instead attempting to produce a multiplier effect by creating a number of visible, successful models which others can copy or adapt in the future.

Once the NHS process is begun in one neighborhood of a metropolitan area, channels of communication are formed between local residents, government officials, and financial lenders of the urban area. We believe this cooperation and communication will not stop with a single neighborhood once a success model exists, and other neighborhoods will be encouraged to carry out programs of their own.

Task Force Capacity and Objectives

The Federal Home Loan Bank System recently created the Office of Neighborhood Reinvestment of the Federal Home Loan Banks to provide administrative support to the Urban Reinvestment Task Force and to undertake other neighborhood reinvestment activities as directed.

The original inter-agency agreement defining the scope of the demonstration funded by HUD set forth the following tasks:

1. Assisting the establishment of Neighborhood Housing Services of America (NHSA);
2. Developing, assisting and providing grants to 40 NHS programs, and developing and assisting an additional 20 NHS programs which will not receive grants from the HUD provided funds; and
3. Assisting and monitoring 30 Neighborhood Preservation Project (NPP) programs.

The addition of $2 million in new funding for the coming fiscal year, will bring our budget to $4.5 million and will nearly double our present operation in 1977. This planned expansion, however, will be carefully managed. It will be an incremental expansion that will permit the quality and soundness associated with each existing NHS program to be incorporated into the 24 programs our funding will enable us to produce in 1977.

Urban Neighborhood Policy Considerations

It has been our observation that Community Development Block Grants have been of great importance in stimulating local activity in neighborhood preservation. A recent survey of 25 NHS cities showed 21 targeting almost $12 million in Community Development funds into NHS neighborhoods. Nine cities invested $3,762,000 in High Risk Revolving Loan Funds in CD Year I, and 6 cities invested $3,600,000 in High Risk Revolving Loan Funds in CD Year II. Ten cities invested $3,170,000 in capital improvements in CD Year I, and 4 cities invested $1,325,000 in capital improvements in CD Year II.

Many other important pilot neighborhood preservation programs are also going forward in the country under the stimulus of Community Development Block Grants. Promising approaches include targeting significant public works improvements into neighborhoods, comprehensive programs to improve neighborhood public services, rehabilitation loan programs, programs to purchase, rehabilitate and sell vacant buildings (with the public body absorbing any loss resulting from the market sales price being lower than the total price of acquisition plus rehabilitation), and many others. We are impressed with the potential of many of those programs which focus on specific neighborhoods, but are concerned about the potential effectiveness of many of those which spread their benefits city-wide, with none of the reinforcing effects that a concentrated program has.

We are concerned that many of the programs looking for big financial "leverage" by tying up CD funds in accounts to guarantee private loans will have disappointing results. It has been our observation that encouraging increased private lending is more a function of lenders' confidence in the future of the neighborhood than in the availability of special guarantees.

Finally, NHS programs have already provided an invaluable service in their local settings as "living laboratories", sharing their experience freely with all tho are interested in designing neighborhood reinvestment strategies. The 31 NHS programs which will be functioning by the end of 1976 offer a fertile ground for field testing pilot neighborhood preservation efforts. The Urban Reinvestment Task Force - as it monitors and assists the diversity of experience of NHS programs focussed on different types of neighborhoods, with different mixes of resources and different combinations of problems - is accumulating a wealth of experience nationally in how neighborhood rejuvination works. We stand ready to share this experience with a National Commission on Neighborhoods.

In summary, this testimony has described the programs we have been utilizing in our neighborhood preservation efforts, discussed our accomplishments and objectives thus far, and commented on other neighborhood preservation strategies.

In conclusion I want to thank you for providing this opportunity for all of us to share our mutual concern and interest for neighborhood preservation. I want to thank you, also, for your interest in the work of the Urban Reinvestment Task Force and for giving us this opportunity to report on our progress. We look forward to a continuing dialogue with representatives of government at all levels as we continue to seek and share information about what is working in neighborhood preservation.

APPENDIX

There are 25 operational NHS programs in addition to the original program in Pittsburgh, Pennsylvania:

Albuquerque, New Mexico
Atlanta, Georgia
Baltimore, Maryland
Birmingham, Alabama
Boston, Massachusetts
Bridgeport, Connecticut
Buffalo, New York
Chicago, Illinois
Cincinnati, Ohio
Cleveland, Ohio
Dallas, Texas
Hartford, Connecticut
Jamaica, New York
Kansas City, Missouri
Minneapolis/St. Paul, Minnesota
Nashville, Tennessee
Oakland, California
Philadelphia, Pennsylvania
Phoenix, Arizona
Plainfield, New Jersey
Racine, Wisconsin
St. Louis, Missouri
San Antonio, Texas
Tampa, Florida
Washington, D.C.

Developmental efforts are going forward in 13 additional cities:

Columbus, Ohio
Des Moines, Iowa
Fort Worth, Texas
Indianapolis, Indiana
Ithaca, New York
La Habra, California
Little Rock, Arkansas
Newark, New Jersey
New Orleans, Louisiana
Peoria, Illinois
Salt Lake City, Utah
Toledo, Ohio
Wilmington, North Carolina

Management Information System Data:

Twenty programs have a continuity of reporting which provides evidence of the national impact of the NHS program. These twenty programs have provided counseling and/or technical assistance to approximately 5,000 persons since their inception. Approximately 700 loans totalling $2 million were made to neighborhood residents from their revolving loan funds, and 16 of these programs report that they referred almost 400 residents to local financial institutions which made private loans of approximately $2 1/2 million.

Building permit data in Cincinnati reveal that $300,000 in building permits were issued in the NHS neighborhood in the three years prior to NHS' formation, and $3,000,000 in permits have been issued in the three years since its formation.

Neighborhood Preservation Projects:

Our NHS experience has shown us that, in addition to housing deterioration, people are influenced by a broad range of problems in their neighborhood. Homeowners decide to stay in their neighborhood or move, to invest money in fixing up their homes or to let their property go, on the basis of "feedback" from a variety of factors. These factors include the structural quality of their home, perceptions of shopping opportunities, overall neighborhood appearance, the quality of education for their children, their personal security in home and neighborhood, the prospects of an increase or a decline in their property values, and their sense of their future financial capacities. Financial institutions decide to make loans on their perceptions of similar factors, plus others important to them: their present investments in the neighborhood, investment opportunities elsewhere, and feedback from the real estate industry about the neighborhood. Many of these decisions are based on attitudes and perceptions rather than objective realities. Nonetheless, they exert a discernible influence on investment decisions.

Each of these problem areas is articulated with a different emphasis and priority in different cities and in different neighborhoods. It may be the deterioration of apartment buildings in one neighborhood, commercial decline in another, abandoned buildings in another, personal safety in another. Thus, there is a need for a greater variety of program ideas which are focused on different problems that can be used singly or in various combinations to deal with the larger area of neighborhood preservation.

The Task Force is supporting a limited number of demonstration projects which deal with these specific aspects of neighborhood preservation. These projects may complement the Neighborhood Housing Services programs or they may offer other innovative approaches to stabilizing and improving the neighborhood environment. Those preservation programs that are successful will be offered to other cities as models which they can use to treat specific problems in their neighborhoods.

Neighborhood Preservation Projects involve a number of diverse approaches to neighborhood preservation, and usually are administered by local government, local non-profit corporations, or other local entities.

NPPs are similar to NHSs in that they, too, include a partnership. The range of neighborhoods and mix of substantive program elements, however, differ greatly from NHS. NPPs can and do involve less deteriorated or more deteriorated areas. NPPs can include multifamily rehabilitation, financing, neighborhood business district revitalization, homeownership development, programs to stabilize neighborhoods undergoing transition, real estate marketing practices, the purchase, rehabilitation, and marketing of foreclosed and vacant properties (FHA-conventional), and intervention strategies to prevent default and foreclosure. In addition to these program areas, the Task Force is considering programs which in combination with one or more of the above areas, include elements designed to increase the level of neighborhood confidence, such as those affecting perceptions of personal and property safety.

Rather than replicating NPPs as we do NHSs, the Task Force is monitoring the progress of the NPPs and will evaluate their potential replicability at the conclusion of Task Force support. The purpose of supporting NPPs is to identify successful, locally developed neighborhood preservation activities. Based on the results of its monitoring and evaluation activities, the Task Force will select the most promising NPPs and create a process by which they can be replicated in NHS neighborhoods where appropriate; and made available to others who are seeking innovative neighborhood preservation approaches.

The following NPPs were approved for funding by the Task Force in 1975 and 1976:

City of Berkeley, California Pilot Rehabilitation Program: Conservation efforts are focused on three neighborhoods and are supported by municipal services, public improvements, municipal high risk loans and private home improvement loans. Through this program, the City of Berkeley is obtaining information and experience necessary for expanding such conservation efforts to a city-wide program.

Hoboken Multi-family Rehabilitation Project: The purpose of this program is to provide below market-rate rehabilitation funds to owners of 6-10 unit buildings located in Central Hoboken through a combination of private lending institutions and interest-reduction grants financed by public monies. An innovative Municipal Mortgage Insurance program to insure multi-family rehabilitation loans is also being tested.

Central Northside Pittsburgh: The Pittsburgh NPP will complement its NHS program by acquiring, rehabilitating, and marketing abandoned and tax delinquent properties.

Urban Edge, Jamaica Plain: The Urban Edge Real Estate of Greater Boston in cooperation with the City of Boston will acquire, rehab and market vacant properties in the Jamaica Plain area of Boston.

The Greater Hartford Process Commercial Revitalization Project: The Northwest Hartford Commercial Revitalization Project is designed to improve the appearance and consumer appeal of a four block central shopping area along Albany Avenue adjacent to a $3.2 million dollar shopping center site and existing rehabilitation project.

Village of Oak Park: The Oak Park neighborhood preservation strategy is designed to maintain neighborhood stability and prevent neighborhood decline. The program includes an Equity Assurance proposal which is designed to eliminate the fear of economic loss for homeowners residing in a racially changing community; public safety and crime prevention programs, and the revitalization of the Chicago Avenue commercial strip.

San Francisco Development Fund Housing Conservation Institute: HCI in cooperation with the City of San Francisco, financial institutions, and residents of Westwood Park, will undertake the commercial revitalization on Ocean Avenue and is conducting a preventative maintenance and modernization of homes in the Westwood Park Neighborhood.

Worcester Cooperation Council, Inc: WCCI, in cooperation with the Transitional Employment Enterprises, Inc., and HUD's experimental Hazard Elimination Program, is treating innovative methods of lead paint removal in the Crown Hill neighborhood of Worcester. In conjunction with this effort, and with a grant from the National Endowment for the Arts and the City of Worcester, WCCI and the Worcester Heritage Society will restore structures of architectural interest in Crown Hill.

The City of Yonkers, New York: The Multi-family Rehabilitation Program involves a partnership of property owners, tenants, the City Building Department, and mortgagees to upgrade large apartment buildings in order to stabilize the surrounding neighborhood. In addition to a commitment of Community Development Funds, the city has agreed to a tax abatement program to enable building owners to allocate additional revenue for property rehabilitation.

An additional 6-8 NPP programs will be supported in 1976. A otal of 30 NPPs will be funded for the entire demonstration.

Mr. Ashley. Thank you very much, Mr. Whiteside.

I had an opportunity to review your testimony last night, and I have a number of short questions which I would like to direct to you.

I suppose the first one would be, do you favor the legislation that is before us?

Mr. Whiteside. Yes. I think it will serve a useful purpose.

Mr. Ashley. On pages 5 and 7 of your prepared statement you indicate that you found the NHS program successful when operating in a neighborhood in which the housing stock is beginning to show signs of deterioration but yet remaining basically sound and where there is a high degree of homeownership.

Have you found any way that you can quantify these elements?

When you talk about a high degree of homeownership, for example, what are you talking about?

Mr. Whiteside. We are looking for neighborhoods, generally, where the homeownership exceeds 50 percent of the structures. We are learning more about this day by day, and refining these generalizations. We are looking for neighborhoods where the structures are basically sound, and to us right now this means that typically you will spend maybe $6,000 to bring a unit back into first-class condition.

Mr. Ashley. That would be on an average?

Mr. Whiteside. Right.

We are discovering, though, that there are wide variations in the neighborhoods that NHS's are presently serving, and we think that is desirable, because we are able to track their results and discover more effectively what the right measures are.

And in St. Louis, for instance, we have gone into a neighborhood with lower incomes and a lower level of homeownership than we have ever tackled before, but with the city providing double the normal amount of support for the high-risk revolving loan fund.

Mr. Ashley. In that instance, what would be the incidence of homeownership?

Mr. Whiteside. As I recall, about 40 percent of the units in the neighborhood.

Mr. Ashley. And what would be the income relative to median income in St. Louis?

Mr. Whiteside. About 70 percent of the citywide median, with a high percentage of elderly homeowners and a higher than average cost of repairs which required the extra large high risk loan fund.

Mr. Ashley. You talked about the program working best where the neighborhoods are small enough in an area to be manageable.

Is there any way to quantify that?

Mr. Whiteside. We recommend 1,000 to 2,000 units, but let me explain something about our process.

These are very general broad-brush recommendations that we make to a site review committee made up, one third of local residents, one-third of financial institution representatives, and one-third of city representatives.

Mrs. Cincotta was the chairperson of the site selection committee in the Chicago NHS, and they took these recommendations into consideration, and then proceeded to make some local decisions based upon them.

So, in Chicago, for instance, we are dealing with much larger neighborhoods in terms of population. We are dealing with a far larger number of four- to six-unit structures—many of them owner occupied—than we have ever dealt with before.

But this was a local decision based upon a thorough understanding of the program that we provided them with, but this was a local staff—a step that they wanted to take in Chicago.

Mr. ASHLEY. In other words, when you collided with Mrs. Cincotta, then there was little give, I take it?

Mr. WHITESIDE. It did not even take a collision.

Mr. ASHLEY. On page 8, you talk about the financing that is required, $30,000 to $50,000 from a local source for the support of the local expenses in the developmental stages, then after becoming operational, $60,000 a year on an ongoing basis, this again, I take it, from local sources.

Then also, when you are on stream, at least $300,000 a year per neighborhood over a 2- to 3-year period.

I am wondering, with this kind of laudable local support, how many neighborhoods in the city might be expected to be served by this program without drying up these local sources of support?

Mr. WHITESIDE. I think that varies city by city, obviously depending upon its resources.

Mr. ASHLEY. Is there a problem there?

Mr. WHITESIDE. Yes; I think the community development block grant funds are an important new element that we have to work with now. In several cities where we helped to get a single neighborhood NHS started, the city is providing funding to expand on that base.

But in the long run, I think a source of grants to expand on the NHS program might be very well indicated.

Mr. ASHLEY. On page 9, you refer to the "Pittsburgh experience on the Central Northside," and allude to a coordinated program of low-interest loans.

Are these the high-risk loans that you referred to throughout your testimony?

Mr. WHITESIDE. Yes.

Mr. ASHLEY. Those would go to families or owners, I take it, of dwellings whose income is too low to support the going market rate for loans through lending institutions?

Mr. WHITESIDE. Yes; or who for other reasons might not qualify. For instance, you might not have a conforming loan from the point of view of a loan-to-value ratio. You might have a situation of credit history that prevents the person from qualifying.

Mr. ASHLEY. On page 11, you pointed out that most of the NHS neighborhoods selected as being good choices—what if they are not good choices? What has happened in those instances?

Mr. WHITESIDE. In our early experience when we did not really know what the program could and could not do, two or three of the first cities we worked in have had a good deal of difficulty, and we are still working to strengthen the programs to bring in additional resources where the neighborhood is in need of resources that are not within the typical NHS model.

I might say that our role as a catalyst frequently means involving ourselves in the fundraising, with foundations, with church groups, with the broad business community, to try and build the required support for the neighborhood housing services program.

And this is what I meant when I said we do not go away. We stay, and assist as long as is necessary.

But two or three of the early choices really resulted in neighborhoods being selected that needs greater than this program can normally deal with.

Mr. **Ashley**. So that out of that experience, you have become more confident in your ability to define the neighborhoods that should be eligible for this kind of support; is that right?

Mr. **Whiteside**. Yes, Mr. Chairman.

Mr. **Ashley**. Of course, what we are going to have to be getting to in our questioning is what happens to the neighborhoods that are not quite worthy of this kind of support through no fault of their own, and we will be getting to that.

I think I had another question on page 12.

You indicated that not every participating lending institution has been willing to make bankable loans.

I am curious as to the situation in that eventuality.

Do neighborhoods respond at all when that is the situation?

Mr. **Whiteside**. I might point out that the quotations you are referring to on page 12 were taken from an evaluation which was funded by HUD last year, rather than being our comments.

I am sure that is an accurate statement, and basically the program is a voluntary one for the lenders. To be involved, a lender is at least contributing to the operating budget, but different lenders are more enthusiastically involved in the program than others.

We find that their personal association makes a difference. Those who are serving on the board of directors and who have a personal, direct link with the neighborhood, are much more involved and enthusiastic.

I should add that the loans that are generated by the inspection process do get made, by one institution or another.

In other words, there are varying degrees of involvement on the part of individual institutions, but the bankable loans are being made.

Mr. **Gonzalez**. Mr. Chairman, would it be possible to yield for a unanimous-consent request?

Mr. **Ashley**. Of course.

Mr. **Gonzalez**. I would like to ask unanimous consent to place into the record at this point the remarks I made when I presented an amendment that was accepted unanimously by the Banking and Currency Committee on May 22, 1974, on the occasion of the passage of H.R. 14490, the housing bill of that year of the community development section, specifically addressing itself to the need of stabilizing neighborhoods.

Mr. **Ashley**. Mr. Gonzalez, would it serve your purpose to have that included at the conclusion of the questioning of this witness?

Mr. **Gonzalez**. That is perfectly acceptable.

Mr. **Ashley**. Without objection, so ordered.

Mr. Brown?

Mr. **Brown**. Thank you, Mr. Chairman.

Since I have appointments back in the office I am not going to be able to return after this vote, so I apologize.

I will get back as soon as I can.

We all talked about urban reinvestment. I have in the final drafting stage at the present time a bill to encourage, through tax credits, investments for improvements in properties in older, declining neighborhoods.

I would be glad to have any input that you might care to give us. Basically it provides for investment tax credits under the usual tax code, not for just ordinary maintenance, but improvements, and that it has to be in areas which have been designated by HUD as older and declining and deteriorating, and so forth.

There may be a requirement that you could not have all of a city designated as such, even though HUD could designate a substantial portion. Then for the taxpayer to get the investment tax credit you would have to have approval from the mayor, and the building officials of the city would certify that improvements have been made. Not that they were worth what he paid for them, because that is usually a taxpayer's requirement to justify the expenditure.

But in any case, it seems to me that concept would offset the problems that were created in most communities, at least in Michigan, where you have an ad valorem taxation, where whenever you improve your property, you get socked with a property tax.

So there is a disincentive for improvement.

If you have any ideas to add to it, I would be glad to get them.

Now, that is two bells.

Thank you very much.

Mr. **Ashley**. Has that been drafted, Mr. Brown?

Mr. **Brown**. It is in the final drafting stage.

Mr. **Ashley**. Would it be possible for staff to make copies available to the witnesses and invite their comments thereon?

Mr. **Brown**. Sure.

Mr. **Ashley**. We are not finished with this panel.

I think Mr. McKinney indicated a great interest in returning right after the vote, which I will do, and then we will proceed at that juncture.

[Upon unanimous-consent agreement, the previously referred to remarks of Congressman Gonzalez follow:]

REMARKS MADE BY CONGRESSMAN HENRY B. GONZALEZ ON OCCASION OF PASSAGE OF H.R. 14490, MAY 22, 1974

Mr. Chairman, as a member of the Housing Subcommittee I supported this housing bill when it was voted out of the subcommittee and included my name as one of the sponsors. However, as I stated on the opening day of hearings on this bill, it was understood that amendments could be added in full committee mark-up.

It is my strong belief, and I have felt this way ever since I have been in Congress and involved with legislation dealing with housing, that if we are going to ever have a viable housing bill we must also consider stabilizing urban residential neighborhoods. Under the Community Development section in H.R. 14490, I feel that stronger direction should be given to allowable programs and activities, and at this time I would like to offer an amendment to this section dealing with neighborhood revitalization.

I'm sure that many of the members here have experienced in their districts what I have seen happen in my city of San Antonio. Urban renewal programs, which are the thrust of our urban policy, spend billions destroying stable residential communities, dispersing people and businesses in the name of progress, only to turn around and spend billions more to build new dwellings and nourish residential communities.

All too often those people who have been forced to leave their homes in the name of progress have had no means to protest this destruction and forced dispersement, and must find other homes in other areas of the city far away from their friends, family, churches, stores, and other familiar sites that they, their children, and their children's children have come to know as part of their community.

Many of these neighborhoods that are destroyed are healthy working class neighborhoods where a large proportion of homes are owner-occupied, most of them bought after years of toil and sacrifice. They are not merely a composite of brick and mortar providing shelter, but are a symbol of the new life many of the resident's ancestors had dreamed about when they left the "old country" at the turn of the century.

From my experience with urban renewal many of the tightly knit family networks that contribute to neighborhood stability and foster warm community life are destroyed, and the amendment I am proposing will hopefully reverse this process and save these stable urban neighborhoods which are so vital to preserving our urban cities.

The amendment reads as follows:

"Furthering the revitalization of the community, and agrees to the restoration and rehabilitation of stable neighborhoods to the maximum extent possible."

The subcommittee will stand in recess.

[Recess.]

Mr. Ashley. The subcommittee will resume.

Mrs. Cincotta, you very understandably raised the question as to the scope of the program, particularly with respect to its current funding levels, suggesting a very substantial increase.

By your testimony, I take it you and your participation in Chicago and elsewhere on the task force efforts, that you are supportive of the program, that you feel that it has demonstrated to date sufficient substance to expand rather substantially the funding levels of the program so that this could become another tool and meaningful one in the arsenal of tools to be used in a coordinated attack on the problems of our neighborhoods.

I am curious as to what, I suspect, might be a difference of opinion between you and Mr. Whiteside and perhaps the other panelists with regard to that capability, and I say that because the testimony of the Secretary and the other witnesses has been rather uniform. That is to say, that what we need now, as Mrs. Burke put it, is to pull together what we know and to assess our experience so that we can formulate an urban policy.

Now, that is the question that interests me, and I am not going to make a speech on this. It interests me because the legislation we are discussing has as a predicate that that should be the approach; that is to say, we have got to analyze very carefully the experience of the task force and the neighborhood housing services and other efforts, be they public or private, in order that we can formulate a rational and positive program.

Do I state the situation correctly?

Mrs. Cincotta. I think that two things can happen. I think the need for a Presidential Commission that has power to make recommendations all along its life span, that it goes into existence very fast, and you do not necessarily wait for the end of 2 years. But I do not think everything should stop in that time. I think some of the recommendations that we made are things that could be done while the Presidential Commission is operating. I do not think one thing counteracts the other.

I think licensing and regulating the mortgage bankers is something that has been needed. It is not done anywhere in the United States. Nobody is doing it. HUD is supposed to be doing it, but it has got to be taken out of there because HUD counts on the mortgage bankers to push their papers and push their program. And on the other hand, they are supposed to be regulating them, and it can not work that way.

So I think there are a lot of recommendations that could be put into legislation, while the Presidential Commission was studying all the fine points. Now, maybe when you get into FNMA, FHLMC, GNMA, you are going to have a lot of studying, and then at the end of 2 years you are going to come out with a recommendation. But I think both can go at the same time.

And I also like the expansion of the task force that is based on at least a year's experience in Chicago and go into other cities, of ways you could see that the program could be strengthened by Mr. Whiteside having additional resources, such as in Chicago we have three sites and are going into a fourth. We could have possibly had 10. And usually $100,000 is given to a city for the revolving loan fund while the city that gets one NHS gets the same amount as our city that is getting three or four.

So there are ways. I would like to sit down and tell him how he could spend this money without changing the thrust of the program. Every NHS site could deal with an NPP grant, a neighborhood preservation program within that NHS site, or bordering it, and right there you could use part of the money. Plus, I think the NPP grants which, I think, originally were about 50,000 are very small. They could be enlarged again without changing the thrust of the program. So that I think the legislation is important, but we have to do other things also while it is going on.

Mr. Ashley. I think we had better ask for a response from you, Mr. Whiteside.

Mr. Whiteside. The only objection I have to growing rapidly is our ability to manage the growth and maintain the quality. There is no question but what our ability to make grants could be increased considerably and that we could handle that simply by making larger grants to the NHS programs that we are supporting, by stimulating the secondary market—for the high-risk revolving loans—which we are already supporting, but by doing it in a larger way, and by expanding the neighborhood preservation projects. There are a number of things which could productively be done which would not necessarily affect the skill of our operation.

Mr. Ashley. Or the structure of the operation.

Mr. Whiteside. Correct.

Mr. Ashley. Monsignor Baroni?

Monsignor **Baroni.** Yes, Mr. Chairman. I would like to add to that something to underscore what Mr. Whiteside said—and to say we also endorse, support, and hopefully we have helped to increase this allocation or appropriation, and it should be increased further. But as he said, his program is built on some experience like Pittsburgh, and then going into cities and finding, picking and choosing kinds of communities where you think it can work. And I think he has to, rightly so, develop a track record and so on so he learns from that.

But that also underscores a point that I would like to make about going into some of the cities, you know, like Baltimore. I mean, groups like church groups and nonprofit groups in the Baltimore area may have had as much as $50,000, $75,000, $100,000 worth of community effort toward organizing in order to be ready for something like what Mr. Whiteside discusses. In Toledo I know that we ourselves have helped to raise $75,000 for those communities which have a readiness to deal with the kind of program he has, so that there are other kinds of private sector, community sector, voluntary sector activities going on. As a person who has been involved in the nonprofit housing business, we were the weakest link. The banks always got their 100 percent. The unions put some money in. But they were always 100 percent. I ended up paying the points when the construction was not done in 6 months, and we, the nonprofits, the church groups, came in as dogooders, and we got into the do-gooding business, and we as nonprofits paid the bill. I mean, we got stuck. We were the weakest link. We did not have the high-powered lawyers. We did not have the high-powered technicians that the banks had and everybody else had who wanted their 100 percent.

What I am saying, is the weakest link all the time—and Mrs. Cincotta is saying—are the neighborhood groups themselves who need assistance in order to make programs work like the fine kind of program that Mr. Whiteside has.

Do you see my point?

Mr. **Ashley.** Well, I see your point, but when I commented a moment ago that Mr. Whiteside, I am sure, would be reluctant to admit to a change of structure. Part of that structure is the requirement, not the insistence, that there be very meaningful citizen initiation, participation, willingness to insist upon a common effort and to put forth that common effort. And I am simply suggesting, I suppose, by my question, or my comment, that Mr. Whiteside might be reluctant to see that effort diminish by virtue of an increase in Federal funding, if that would be possible, because that would erode part of the structure which, I take it, he deems to be essential. After all, it is a tripartite partnership.

Would you agree with that, too?

Monsignor **Baroni.** I agree.

I also agree, just as a Congressman has to have staff to keep up with everything, that at a community level we are not in the town hall business anymore except in a very few places, maybe in Vermont or New Hampshire where they still can do it, and that is real democracy, real participation. Fine. I wish we could do it all over. But in local neighborhoods, people have to work. And the mayor has staff. The banks have staff. The community also has to have resources in order to become a legitimate partner with HUD, with the city or with the mayor. And so I think one of the things that this neighborhood Commission and funding programs are going to have to recognize is to help the community become that partner.

Dr. NAPARSTEK. Mr. Chairman, just picking up on that point, in our work in trying to bring together the partnership in non-NHS neighborhoods—and we have been doing this for about 5 or 6 years—what we often find is that the city officials come in with a data base generated by their various planning departments. The private sector, whether it be small businessmen or big businessmen, come in with a data base generated by the chamber of commerce or a marketing survey or whatever. And the community people come in with feelings. And those meetings just blow right up and everybody ends up blaming one another. And in fact, they are not the enemy; the enemy is someone else.

And one of the points is, how do you begin to create a data base which defines the problems so there is a convergence of need.

I think a second issue—and we have seen this, also—is that it is so difficult for the individual homeowner to reinvest in his own property. They almost have to carry a lawyer around on their back because of the legal obstacles, code enforcement, building codes, and so forth. It becomes very, very difficult. So the staff issues are very important in terms of building the capability. And I would agree with Monsignor Baroni on that.

Mr. ASHLEY. And that, of course, would, I take it, apply to non-NHS as well as NHS neighborhoods.

What do you feel about that, Mr. Whiteside; the need for local citizens to have a modest degree of support in order to be able to behave as equals in the assumption of their responsibility.

Mr. WHITESIDE. I think it is very important.

We found in the cities where we have been able to work with an established neighborhood group with some degree of organization, that the whole process moves along much more productively.

Baltimore is a good example, where the South East Community Organization there had been organizing the neighborhood where the NHS is now functioning for 3 years prior to NHS coming to Baltimore. And they just leaped into a fully functioning status. They cut a year off of the developmental time of many other programs.

Mr. ASHLEY. But that funding for that kind of staff capability was local: is that correct?

Mr. WHITESIDE. I think Monsignor Baroni's organization was one of the funding sources of the South East Community Organization, and the Ford Foundation also supported them.

Mr. ASHLEY. Well, is it implicit in the program with which you are so associated that those funds for the staff capability be non-Federal funds?

Mr. WHITESIDE. I personally feel that Federal funds have to be handled in a way that we have rarely handled Federal funds in the past if they are going to have a productive impact on a neighborhood. And we have been very careful to use our grants in ways that did not wrap up the programs in redtape. And I would think our past history of using Federal funds might make neighborhoods a little leery of accepting them if they carry with them too much control over the neighborhood's activities.

But I should yield to the neighborhood representation on that point.

Mr. **Ashley.** Well, do not want you to yield to your colleagues on that point, because I really want to know if those support funds, rather narrowly defined as they have been, are to come, in part, from the Federal Government, whether that would, in your mind, dilute the overall effort of the NHS program.

Mr. **Whiteside.** No; I do not think it would dilute the NHS program. I think it is a separate question of how you fund neighborhood groups to organize themselves.

I think if we come on the scene and find a well-organized, fully functioning group ready to represent that neighborhood, it is a plus for NHS.

But I would be loath to get too deeply into the details of how that neighborhood group should get funded.

Mr. **Ashley.** Well, I do not mean to pursue this, but with respect to the 25 communities into which you have gone, I would suppose it is accurate to say that your program has been pretty well defined, which is to say that it has been made clear what the requirements are locally in order to get the very kind of technical assistance from the task force and in order to get a modest amount of seed money, I take it, basically for the high-risk fund.

I am just wondering to the extent you would be reluctant, inasmuch as it seems to have worked pretty well—and I am now pointing specifically to your requirement that these funds be derived locally and nonfederally—to the extent to which you would be reluctant to have that intruded upon.

Mr. **Whiteside.** Well, I think a case in point where Federal funds have been used successfully would be the community development block grants. These have been channeled into the NHS program by cities, and it has certainly not impeded the NHS programs. If it is done well and if it is done in a totally constructive manner, we certainly would have no objection to it.

Mr. **Ashley.** Have those block grant funds been channeled into NHS neighborhoods for the purpose of providing staff support, such as we have been discussing?

Mr. **Whiteside.** I am not aware that they have.

Mr. **Ashley.** You see, then, the answer is a little diffuse.

Monsignor **Baroni.** Mr. Chairman, I think—I am not sure—HUD is not here. I was trying to check on that. In Providence I knew of an occasion of a neighborhood where Mayor Cianci was very interested in neighborhoods and where a neighborhood group put together a proposal under community development money, went to him and said, "Would you give us money directly, according to the guidelines, to this neighborhood group?" And he said yes. They filled the technical qualifications, they had the meeting with the city. So it is one of the few places I know of in the country where community development money went directly to a neighborhood group.

Now, I believe that neighborhood group probably, maybe in 6 or 8 months they will be ready for Mr. Whiteside. But they did get community development money directly for neighborhoods development and neighborhood organization.

Mr. ASHLEY. This is for all of you, and it just requires a nod of the head or a shake of the head. That it is understood, I take it, that we are talking about one rather narrow tool, that we are not addressing ourselves in the hearings this morning nor in your testimony to those neighborhoods that, by Mr. Whiteside's definition—and, I take it, the definition of all of you—should not be included in the NHS program. Is that right?

Mrs. CINCOTTA. My opinion on the NHS is that it is a program which is narrow in scope. It is made to fit certain neighborhoods. And that is the definition we use, that when you go into multiple buildings or projects, this program is not made for them. It is another whole situation.

Mr. ASHLEY. In neighborhoods whose viability is questioned—and there are plenty of neighborhoods in Toledo and in other cities of that character—this program would not work, and those neighborhoods need a different approach. We are agreed upon that.

Dr. NAPARSTEK. That would be one of the purposes of the Commission, also, that there are so few alternatives available.

Mr. ASHLEY. Well put, Dr. Naparstek. That is the purpose of the Commission. It is not simply to reiterate the testimony this morning with respect to one narrow spectrum of a neighborhood, but rather to review the broader spectrum of neighborhoods and their respective conditions within our aging cities.

Mr. McKinney?

Mr. MCKINNEY. Thank you, Mr. Chairman.

We are going to have very little time on this bill, as you probably know. We have got to move, and moving the Congress is a difficult task.

I would like your opinions on one of the things that bother me. I sit on the District of Columbia Committee and have become very involved in the District. We see that a great many city ordinances, or lack of city ordinances, are creating tremendous problems with deteriorating what are good neighborhoods, or were. For instance, we cannot take away a piece of property from an absentee owner, but we can certainly say we are going to tax you to death if you do not keep it clean, planted, and fenced in.

And we can certainly turn around and say we are going to have a special tax rate for buildings that are boarded over with plywood and sit there and bring the rest of the neighborhood down, as they become shooting galleries and everything else for the bad elements.

We can do all sorts of things along this line, but there are not the ordinances to do it. And then there are some questions about the fact that there may be ordinances which, in themselves, are harmful, such as certain elements of the building code, which will tell you, oh, you cannot use plastic, so therefore you cannot afford to do the plumbing job, and onward and over.

I would really like to get your opinion of having this Commission come forth, as part of its job, with some very serious—and, obviously, they could only be recommendations—with very serious recommendations as to what cities within their own governmental structure should do or should not do to deal with the deteriorating neighborhood situation. I wonder how you all feel about that.

Dr. **Naparstek.** That is one of the prime rationales of the Commission, to provide a knowledge base as to what local public actions, laws, ordinances, administrative procedures, serve as either an incentive for reinvestment and revitalization or a disincentive.

For example, rent control can be a positive and a negative in the same city, depending upon the neighborhood. Federally assisted code enforcement can be a positive and a negative in the same city. Procedures around assessment, and so forth, can either be positive or negative.

Mr. **McKinney.** Could I interrupt just for a second?

You just brought up a point that really disturbs me in Washington. Several of you made mention of Capitol Hill, which I happen to live on, which has come a long way. And yet, on Capitol Hill, in the midst of $100,000 houses that 16 years ago sold for $8,000, there are a great many original owners who would like to stay. After 20 years of blight, crime, and everything else, they finally are living in a neighborhood that is safe.

But what happens is the city comes in and assesses the neighborhood. They do not assess the house. They come along, and they say, well, this house next door has just been turned into a $90,000 house, because it has been totally rebuilt.

Dr. **Naparstek.** Those people may be on fixed incomes, too.

Mr. **McKinney.** So what is really happening is, in essence, the city is pushing out people who, for the first time in their life, are going to have a chance to live in a neighborhood that is becoming safe, that is getting city services, where they have stopped filling up every yard with garbage and junk and so on.

I am interested to hear you say that, because this is one of my main charges to the District of Columbia City Council, that I think they should assess as they do in some other areas. In my suburban community, we do not assess on neighborhood; we assess on tile bathrooms and furnace ages and condition and deterioration and so on. We do not say, just because you live next to a $100,000 house, you are going to have to be assessed $75,000.

Mrs. **Cinotta.** I think one of the problems is there are so few neighborhoods being brought back that, unless you start to broaden the amount of neighborhoods within cities that are being made viable, you have that kind of a Capitol Hill, New Town in Chicago, those situations where money is all of a sudden dumped into an area.

The homes might be older, and then the taxes are raised. And you have maybe one kind of nice neighborhood. But because that is the only thing going on, you do not have enough neighborhoods that you would not get that kind of increase in prices and taxes. If enough neighborhoods within the cities are viable so that everybody, as soon as you rehabilitate one street of homes, wants to run and move into it; that, I think, is one of the problems.

We have got to get enough neighborhoods to have viability so that people kind of stay in the neighborhood. They would not like to say, This is the in thing. We are going to go there, because it is the only thing happening in the city. And I think that is Capitol Hill, and that is Georgetown, and that is our New Town and everything else. The same homes that are in my neighborhood selling for $25,000 are selling for $100,000 there.

Mr. McKINNEY. Well, this would probably interest you, because it is so typical. I talked to a store owner on Capitol Hill, in one of the still somewhat blighted sections, but coming up, who has hung on though being mugged four times. He has been there for 25 years. The plate glass has long since been replaced by painted plywood. And now he is just envisioning that maybe he is going to let some sunshine in his store, because he is just beginning to sell something, and he is just beginning to come back out after 20-odd years of suffering.

And now the city has raised the taxes on the building by something like 55 percent because of what is happening next door to him. So his objective now is just to abandon ship.

Mrs. CINCOTTA. But, again, when you take over 3,000 abandoned HUD properties in Chicago where the taxes are not being paid; if they are rehabilitated, that adds to your tax base.

When you take all the large units—I think we have 25,000 units in multifamily that are vacant, that would add to the tax roll. I think when you get businesses back into the business strip, you add to the tax base of the city, so you do not have to just tax the few people that are left.

Every time we lose another house on my block, I figure our taxes are going to go up to make up for that loss of tax there. That is why I think it is a much broader problem of how do you deal with many neighborhoods, bring up the tax base in the city so you do not have so many of those inequities.

Mr. ASHLEY. Will the gentleman yield?

Mr. McKINNEY. Yes.

Mr. ASHLEY. Of course, we are talking about more than brick and mortar and rehabilitating structures. We have been all through that, I would suppose, at one time or another, where we took that kind of an approach. At least to some extent we have.

Without that element of partnership provided by the city, in the providing of a decent level of services, without really good educational opportunity, I do not see that there is a lot of hope for those abandoned HUD structures being rehabilitated and made use of. Why would not the same thing happen right over again, absent the kind of social cement that we know so little about?

Mrs. CINCOTTA. You will find a lot of those HUD abandoned homes are in viable neighborhoods, that the biggest blight in the neighborhood are the HUD abandoned homes.

I think, maybe, hopefully, HUD has learned by some of the mistakes that caused that abandonment, that you would not again get that many. We know it has slowed down in the city of Chicago.

Mr. ASHLEY. What you are saying is, in those neighborhoods, there is viability, there is social cement, and that they should be addressing those particular units?

Mrs. CINCOTTA. Right.

Monsignor BARONI. I have two points.

One, Mr. Chairman, one point you made, where this kind of commission has to deal with problems; for instance, in the local city, they wanted to use some community development money for small businessmen, commercial rehabilitation, because we think that is essential, too, in the older neighborhoods. And they said, no, it was not allowed, because of the locals. And they checked with HUD; yes, no, yes, no. Well, some other city said, yes, they could do it.

So we do not know. We do not have a policy where you get Federal, State, local officials agreeing on what can be done. That is what Dr. Naparstek is talking about. This Commission has to look at those obstacles. Community development money says yes, you can do it, and the local says no; or the local says no, and HUD says no, and somebody else says yes. So we have this kind of conflict, that policy has to be looked at.

Mr. McKinney. So you would agree, in other words, that this Commission should strongly mention on a local level the disincentive plus the incentive program.

Now, Mr. Chairman, I am just trying to get this into the record.

How would you feel, for instance, about also having this Commission suggest—and I use the term widely—the emphasis that should be put on certain city services and employment? In other words, priority of budget.

For instance, in the District of Columbia, we have a $60,000 budget for a city of this size for demolition. We have no real sanitary inspectors; the building inspection department is the first one that is cut; the whole bit.

In other words, would you also feel that, perhaps, this commission should suggest a governmental infrastructure of priority to follow that through?

For instance, I am trying to get the city council to pass this abandoned lots bill, where, if the lot is not cleaned up and so on and so forth, they just treble the taxes and then just finally take it over. But, as the city has pointed out to me, we have got to go find the lots. There is not a structure or the personnel to do it.

Dr. Naparstek. Congressman, in my remarks in my testimony, when I talked about decentralization and centralization, that is specifically what I was getting at. What we have found is that city services also vary from neighborhood to neighborhood.

For example, in readlined neighborhoods you will find more residents complaining about broken-up garbage cans, garbage cans broken up by sanitation workers, lack of policemen on the street or on the beat, than in neighborhoods that are not being red-lined.

Mr. McKinney. I know exactly what you are talking about.

Dr. Naparstek. There is an attitude, and that attitude is being reinforced. It is subjective. And city services do vary from neighborhood to neighborhood.

For example, it does not make any sense for neighborhood X to have garbage picked up two times a week, neighborhood Y, which may have a greater need, to have garbage picked up two times a week, also. Or maybe it should be four and one or three and one. It should vary, depending upon need.

There is no structure in the city government right now that allows city officials to make decisions on the basis of needs of different neighborhoods; and different neighborhoods have different needs.

An I think one other point. Being a mayor now—and I have been talking to mayors for God knows how long—that is probably one of the worst jobs in the world, particularly since the demise of the categorical programs, because here they get this large sum of money, and you have all these competing neighborhoods. And you do not have a mechanism to resolve the differences around the competition, and all the needs may be legit. And the mayor has to make decisions, but there are no guidelines to help him and to protect him, in a political sense, as well as an administrative sense, make those decisions.

Mr. ASHLEY. Do you mean to tell me that you would suggest that we go back to Federal guidelines that would insulate the mayor from those political pressures?

Mr. MCKINNEY. Well, I think I would, Mr. Chairman, almost, at this point, although it is a little strange from this side of the aisle.

I just wanted to tell you how much I appreciated your testimony and the reading material that your group puts out.

And I would also hope, Mr. Chairman, that this Commission could look into the economic loss. This is a Nation where, I am constantly told on the Banking and Currency Committee, we are capital shy, and yet we are throwing away billions of dollars' worth of invested capital in streets, roads, lights, sewers, and everything else. And then we are told that new communities, 16 of them, I believe, went bankrupt because they cannot afford the up-front costs that we already have existing in our cities.

And the other thing I wish all of you would do in your expertise is to prove a point that I would like to make, because I have not found any way to prove it yet.

I serve Fairfield County, and I am from a strange part of the county. I am basically city. I say to my friends in Fairfield County, whether they are in Darien or Bridgeport, that if New York City is dead, we have terminal cancer; we just have not felt the first pang. And as I look at the throughway exit at Stamford, as bad as East Side Drive used to be when I commuted to New York 20 years ago, I see the same thing coming right out our way, and I wonder when we are going to stop running.

And I cannot prove it, but if any of you can prove it so that I can keep talking about it until I expire, I would love to have the proof.

Thank you all very, very much for being here.

Dr. NAPARSTEK. In line with your last comment, when we were working in Toledo, Mr. Chairman, a policeman and a banker said to me, in one of our meetings, "Detroit is going to end up in Toledo, and you're not going to be able to tell the difference, unless Detroit is dealt with." And it is the same point that Mr. McKinney was making.

Mr. ASHLEY. Well, on that unhappy note, I think we will excuse the panel.

We thank you very much, indeed. The other members of the subcommittee that were here this morning said to me that this is one of the best panels that we have ever been privileged to hear from, and I agree with that. Thank you very much, indeed.

Because of House action on the floor at this time, a number of members who otherwise would be here are not but will return as they can. We will, nevertheless, proceed to hear from our next panel, whose contribution, I know, will be as helpful as that of the last.

The panel is comprised of Wayman D. Palmer, director of community development for the city of Toledo, Ohio; Dr. Conrad Weiler, chairman of the legislative committee for Alliance for Neighborhood Government, Philadelphia, Pa.; and Dr. Frank A. Cizon, senior vice president of the Talman Federal Savings and Loan, Chicago, Ill.

Gentlemen, we are very pleased to have you with us today. Again, I hope you do not consider as too unfortunate the fact that we are proceeding with a somewhat diminished congressional subcommittee this afternoon. I can assure you that the record of the transcript will be reviewed very carefully by all of the members of the subcommittee and full committee, and it will find its way into the committee report, which, of course, will provide the basis for our going to the floor with the legislation we are considering this afternoon.

It is a particular pleasure to welcome Mr. Palmer, director of the Department of Community Development for the city of Toledo, Ohio, which, by some strange coincidence, I represent. Mr. Palmer is one of the finest city officials it has been my pleasure to do business with.

I must say that I am fully aware of the enormous, competing demands on his time and on the resources of the city with regard to block grant funds and other resources. But he does a splendid job and is a fine representative of the city officials throughout the country who have such a difficult challenge and responsibility for this activity.

Mr. Palmer, you may proceed as you wish.

STATEMENT OF WAYMAN D. PALMER, DIRECTOR, DEPARTMENT OF COMMUNITY DEVELOPMENT, TOLEDO, OHIO

Mr. **Palmer**. Thank you, Mr. Chairman.

I would like to proceed with my statement and add to it one or two other comments.

First of all, I would like to indicate, after a careful reading of the proposed bill that I would stand strongly in support of that. I see its mission, I see its purposes being clearly directed toward a process that would allow a cross-examination and formulation of strategies and solutions to urban problems.

My firist comments will be directed toward that bill itself, and I would like to follow that with a few short comments on neighborhood preservation as an urban strategy.

As I had said, the findings and purposes of the act are consistent with the realities of the urban environment. Just as this Nation has embraced from its very beginning a throwaway mentality—with land, people, water quality, air quality, mineral and other natural resources being sacrificed to the expedience of national growth—so, that same mind set has pervaded the growth and development of our urban centers—in this instance it has been neighborhoods which are/were being thrown away.

It is imperative that any national neighborhood policy recognize that and call for an immediate halt to it.

The establishment of the proposed National Commission on Neighborhoods will serve to elevate the task of resolving the crisis in the urban environment to a proper high-priority status. I applaud the design of that Commission which proposes to have 50 percent of its membership drawn from the practitioners of neighborhood preservation and revitalization.

With that level of participation by practitioners in the work of the Commission, I would feel, and I suggest that a majority of any counterparts would feel, that any recommendations issuing forth from the Commission will be propositions which have some basis of experience and testing in the urban crucibles.

To the listing of factors for comprehensive study and investigation by the Commission, I would suggest that an identification of environmental health obstacles to the well-being of neighborhoods be added as a specific. I think it is important that the curing of environmental health not be relegated to a secondary situation. I think it should be spelled out as one of the needs.

The 2-year time frame being afforded the Commission for preparation and presentation of a comprehensive report is too long for a response. Legislation and program implementation relative to neighborhood preservation and revitalization is proceeding so rapidly that a pattern may well be set long before that report is due.

I would recommend the shortening of that time frame to 1 year. The second year of life for the Commission would be better spent in monitoring the development of legislation responding to its various proposals, monitoring the development of a coordinated administrative response on the part of Federal departments and agencies, and in the refining of implementation strategies for curing the ills of city neighborhoods.

Explicitly, the proposed act requires the full participation and cooperation of each department, agency, or instrumentality of the United States in furthering the comprehensive study and investigation mandated for the Commission. There does not appear to be a role for State government to play.

With the vitality of neighborhoods contributing so greatly to the vitality of the cities and the vitality of its cities being prognosticative of the vitality of a State, I would recommend that, if not an actual addition to the language of the bill be made, an interpretation be given which implies participation by the States in the Commission's deliberations.

The city of Toledo has been able to retain an economically balanced population within the city which is far different from the poor city/rich suburbs pattern of most eastern and midwestern cities our age.

Toledo's median income, for example, is only slightly lower than the suburbs. In Cleveland, Dayton, or Cincinnati, the city income is only a half to two-thirds the suburban level.

Any sustained policy of disinvestment and abandonment of neighborhoods can only catalyze the flight to the suburbs by commercial, industrial, and housing developments, all of which would have a deleterious impact on the economic viability of that city. An effective program of neighborhood preservation is the mortar and brick from which much of a city's salvation can be built.

I would like to note for the record, Mr. Chairman, that Toledo is a city which enjoys 74 percent homeownership. That is one of our great resources, and that resource, of course, is our neighborhoods.

The development of an effective neighborhood preservation strategy must be carefully planned. We cannot allow it to become a casual collection of programs and activities. The Federal Government should require comprehensive neighborhood preservation planning by all cities. Guidance and financial assistance should be made available to assist with such planning.

That suggested comprehensive plan would include consideration of the quality and quantity of a neighborhood's existing housing stock; the impact of crime and the needs for crime prevention activities; pedestrian and vehicular traffic needs; environmental health concerns; commercial and regional shopping needs; the neighborhood as an employment base; open space and recreation needs; energy needs; the delivery of health care; and the impact of poverty and disinvestment upon the neighborhoods of that city.

As consideration is currently being given to altering the community development block grant funding formula, cities could be required, as a prerequisite to receiving any higher or maintaining present funding levels, to begin master neighborhood preservation planning.

Thus, an incentive to cities to think seriously about the quality of its neighborhoods.

A series of other incentives must be developed to insure that all of the factors necessary to the viability of neighborhoods become participants. Prime among these are incentives to the financial institutions for reinvestment in older neighborhoods, addressing needs of both low- and moderate-income families, and punitive measures against those same institutions for disinvestment practices.

Incentives to the construction industry and labor for reducing costs particularly on rehabilitation projects, could be developed through the expansion of the section 312 loan program and the creation of a similar thrust directed at commercial, industrial or central business district revitalization.

An incentive program to encourage States to participate in neighborhood preservation activities either through direct investment in its cities or taking legislative and administrative action necessary to allow a community to use the broad range of options open to it is vital.

As I recommend that cities can be required to undertake master neighborhood preservation planning, I just as strongly recommend that the full range of Federal programs and activities available, with which a city can begin curing its neighborhood ills, be carefully examined for restructuring.

Such suggested restructuring should be directed toward building more local option design and control over that full range of programs, the style of the community development block grant program, Federal general revenue sharing, the Law Enforcement Assistance Administration, and some portions of the Manpower Administration programs.

I would like to suggest also, as a very strong feature of neighborhood preservation planning, that citizen participation be built into that.

I think the discussion by the earlier panel hit very heavily at the notion of the three-headed association of people, institutions and Government in moving toward revitalization. We have undertaken an extensive citizen participation structure through our block grant program in the city of Toledo with the prime purpose being to move citizens along with government into neighborhood preservation planning.

And once those plans have been made to put them in partnership with our elected officials, our decisionmakers in the city, to share with them priority and strategy determinations.

In conclusion I am suggesting that cities be required to plan and implement comprehensive neighborhood preservation programs. I suggest that the necessary tools, incentives and guidance can concomitantly be afforded the cities so that they can become viable urban communities.

I think there is a passage in the fifth chapter of the Book of St. John that I would like to take an opportunity to quote, if I may. It describes, during the time of the man, Jesus, that there was in Jerusalem, by the sheep market, a pool called Bethesda, having five porches. In these porches lay a great multitude of impotent folk, of blind and withered, waiting for the moving of the water.

So an angel would come down at a certain season into the pool and trouble the water. Whosoever then, first after stepped in, was made whole of whatever disease he had.

And a certain man was there who had had an infirmity 30 and 8 years. When the man, Jesus saw him lying, knew that he had been now a long time in that case. He sayeth unto him,

> Wilt thou be made whole?

The impotent man answered him,

> Sir, I have no man, when the water is troubled, to put me into the pool. But while I am coming, another steppeth down before me.

The man Jesus told him to do three things.

> To rise, take up thy bed and walk.

And immediately the man was made whole. He took up his bed and walked.

I am suggesting that the mission and purposes of the Commission as proposed, would carry much that same message to cities and communities. That if thou be made whole, then take up thy bed and walk.

Thank you.

Mr. Ashley. Mr. Palmer, thank you very much, indeed.

Dr. Weiler, I believe you are next, sir.

STATEMENT OF DR. CONRAD WEILER, CHAIRMAN, LEGISLATIVE COMMITTEE, ALLIANCE FOR NEIGHBORHOOD GOVERNMENT

Dr. Weiler. Thank you.

Chairman Ashley. I would like to say just two things, before I begin my remarks.

First is, I believe you said the Alliance for Neighborhood Government was in Philadelphia. Actually we are headquartered in Washington.

I gave dual identification. I am also the president of a neighborhood association in Philadelphia, and that may have been the source of the confusion.

Mr. **Ashley**. Well, I beg your pardon for the oversight.

Dr. **Weiler**. The second point is that I received your letter just before I went abroad and thus I prepared my testimony before receiving your letter, which called for emphasis on neighborhood preservation. Thus, I would like to just make some brief oral remarks which would be different from my written testimony.

And I would like to say that I am delighted to appear here today. I do not think I have ever enjoyed hearing or participating in a panel as much as today on this subject, because I think it is the first time where I heard people talking about things as they really are, at least in my own academic as well as practical experience.

The alliance is very concerned about neighborhood preservation and we do support this bill in particular.

As I pointed out in my written testimony, first of all we feel that the neighborhood idea is catching on right now, and if something is not done immediately to try and make sense out of this, more damage will be done than good. So we support the bill first because we think some comprehensive study has to be done immediately in order to lay the groundwork for avoiding further disasters in the neighborhoods.

Second, as we are interested in neighborhood government, which tends to put some people off, but what we mean by that is simply that the neighborhood must be viewed as a whole. That is, it must be viewed as an entity and the participation of the people in the neighborhood is for us, the forced expresion of the neighborhood being viewed as a whole. That is, when they are involved in everything that happens, not that they necessarily have to have a veto, but that they in some sense participate in their own governments.

And we find in this bill also a great step toward this goal, this viewing of the neighborhood as a whole. In fact, it is only by viewing the neighborhood as a whole, as in some sense responsible for itself, that we think the neighborhood problem will be solved. So we are very happy with this bill.

The third point I would like to get into is this question of neighborhood preservation. And here I have done some work myself. I wrote a book about Philadelphia, which was published 2 years ago and I developed a theory which I call metropolitan geopolitics.

It was the idea that the cities are beginning a cycle of resurgence of redevelopment. But that in the process of redevelopment they are not really solving any of the social problems.

And then as I listened to Representative McKinney and Representative Burke, I saw that other people are very concerned about the same thing. That is, that in Philadelphia, for example, we have Society Hill, which is one of those neighborhoods that people have taken to as a showpiece. But the problem is, that as Society Hill has developed, all that has happened has been the people that used to live there have been displaced to another neighborhood.

My neighborhood happens to be the one next to Society Hill; that is trying to prevent itself from becoming a Society Hill. And we find that we run into all of the problems that were testified to earlier; the problems of the lack of congruence of city service districts, the disincentives of tax assessment practices, the disincentives of licensing, the lack of a neighborhood information base. But most of all we find that the whole concept of neighborhood preservation, in may ways, is loaded to backfire.

And in testimony on the housing and community development bill which we made last fall, we pointed out that the Federal agencies are very deeply involved in developing concepts of neighborhood preservation, which in turn was then being adopted by local governments.

And specifically, I would like to call attention to this document put out by HUD about a year ago, "Neighborhood Preservation," a catalog of local programs. And then also the forum I and forum II proposals developed by the Federal National Mortgage Association for the mobilization of private initiative for inner-city residential development.

And we have some very disturbing things here. In the HUD program, the neighborhood preservation concept, we have a stage 1, that is a stable neighborhood, defined as a neighborhood that is essentially middle and upper income. So immediately we have lost the goal of diversity in the view of HUD at least in terms of what they consider a stage 1, a viable neighborhood.

In fact, the Community Development Act is very full of contradictions on this point. It calls, on the one hand, for efforts to maintain and preserve neighborhood diversity, but then does nothing to require the identification of already existing diverse neighborhoods. And instead, encourages any efforts that will bring people back into the city.

And it is fine to have people brought back into the city and to promote historic restoration and so on, and I think that has already started—that is what I referred to in Society Hill. We see it in Philadelphia, perhaps more than in most other cities.

What we are concerned about is, how do you keep that from becoming a runaway process and working its way out neighborhood by neighborhood until eventually the whole city has become recycled into an upper-income area and the poor people are living out in the suburbs and no change has been made in the basic social problem of the isolation of groups, racial or income groups.

So this relates also to the neighborhood housing services program which I had a small part in helping to set up in Philadelphia.

What happens when this program is successful? How do we prevent this redeveloped neighborhood from continuing upward until it becomes completely middle and upper income?

These are the things which I hope the bill which you have introduced, will help to deal with. That is, how do we deal with the effects of rehabilitation as well as the effects of neighborhood decline?

To sum this all up I would say that we probably tend to think of the neighborhood problem of one of, gee, how do we stop this decline? The cities are dying and the neighborhoods are dying and we have to stop this decline.

And that is true. But the groundwork is already being laid for the recycling, the rehabilitation of the neighborhoods. And I think in the long run the biggest problem is how do we prevent rehabilitation from turning the problem inside out so that it is no longer a problem of the blacks driving whites out, for example, or of upper-income people moving away from lower income areas. But of whites driving blacks out and of the rich driving the poor out.

And so I think this is the long-range problem. And I think especially in points one and three of the goals of the bill that you have addressed yourself to this.

This is the heart of the matter.

Finally, I think our association is concerned—the Alliance for Neighborhood Government is concerned with other political and administrative matters which I chose not to go into, such as the consolidation of service districts, tax assessments and so on, and, of course the participation of the neighborhood in whatever happens to it.

And we have—and I have listed this in my written testimony. We have adopted a neighborhood bill of rights and responsibilities which outlines the basic rights that we think all neighborhoods should have in dealing with all phases of redevelopment or simply all phases of the resistance within the larger governmental framework.

So I would just complete my testimony on that note.

Mr. Ashley. I think, then, Dr. Weiler, we will have inserted in the record a copy of your prepared statement.

Is that according to your wishes?

Dr. Weiler. Yes, certainly.

Thank you very much.

[The prepared statement of Dr. Weiler, presented on behalf of the Alliance for Neighborhood Government, follows:]

ALLIANCE FOR NEIGHBORHOOD GOVERNMENT

226 East Capitol Street Washington, D.C. 20003

Testimony to the Housing Subcommittee
# of the Banking and Currency Committee
# of the U.S. House of Representatives

September 9, 1976

Submitted by:

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and

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The Alliance for Neighborhood Government (ANG) was formed in May, 1975 and now has a membership of over 300 neighborhood associations in over 50 cities. At our third semiannual conference in Philadelphia in April of this year we adopted a Bill of Neighborhood Rights and Responsibilities, which include in summary:

> The right of neighborhoods to determine their own goals, consistent with the broad civic ideals of justice and human equality;
>
> The right of neighborhoods to define their own governing structures, operating procedures, names and boundaries;
>
> The right of democratically organized neighborhoods to control private and public resources necessary for the implementation and support of neighborhood decisions;
>
> The right of democratically organized neighborhoods to review in advance and decisively influence all stages of planning and implementation of all actions of government and private institutions affecting the neighborhood; and
>
> The right of neighborhoods to information necessary to carrying out these rights.

In the 17 months of its existence the ANG has worked to amend the Housing and Community Act of 1974 so as to include a stronger role in CD for neighborhoods; to pass the Mortgage Disclosure Act of 1975 so that neighborhoods can fight disinvestment; to make the collection of census data more useful to neighborhoods; to organize a conference on state legislation on neighborhoods, (to be held this coming December in New Jersey); to investigate the possible impact of proposals of the Federal National Mortgage Association to form a National Cities Corporation on neighborhoods; and on many other educational and public policy projects.

We find that the neighborhood idea is gaining strength, usefulness, and recognition almost daily. Why is this? It is not because the neighborhood itself has suddenly been transformed. Rather, the neighborhood idea is gaining importance because of changes occurring throughout American society which by many different routes are one after the other fastening upon the neighborhood as the solid territorial, social, economic and political bedrock upon which to flourish.

I offer you a few examples:

CRIME: There are limits to what police and courts can do to prevent and fight crime, and increasingly the organized, alert neighborhood is making a difference in preventing crime, finding criminals, supporting and counseling victims, sensitizing courts and police to the community impact of their actions, and creating better physical design for "defensible space."

HOUSING: Such programs as the enormously successful Neighborhood Housing Services, the various anti-redlining campaigns, hundreds of citizen directed renewal programs (project area committees) under the old Neighborhood Development Program (1968-1974), various neighborhood anti-abandonment and preservation programs across the country show far more effect in stabilizing neighborhoods for low and moderate income persons at far less cost than downtown oriented and centrally directed federal programs of the 1950's and 1960's.

All of these programs are based upon and require the participation of people in the neighborhood as the indispensible ingredient of success.

MUNICIPAL SERVICES: Studies by Elinor Ostrom and others increasingly suggest that a great many municipal services can be provided as efficiently or more efficiently on a small scale neighborhood basis as on a city-wide basis.

DEMOCRACY AND CITIZEN PARTICIPATION: The neighborhood can be an organ of true democratic decision-making as well as of effective citizen participation in government.

ECONOMICS: Serious students of economics such as E.F. Schuhmacher, and Barbara Ward as well as the "New Alchemists" and Hess and Morris suggest not only that much greater emphasis on small scale economics based on neighborhoods is not only possible and attractive, but possibly imperative if we are to avoid economic collapse. In addition, neighborhoods are already showing themselves an efficient basis for food coops, credit unions, trash re-cycling, community gardens, and many other practical economic projects.

Our organization has a name which many who otherwise favor the neighborhood find too assertive, perhaps too radical. What we stand for and what to my knowledge, no other group interested in the neighborhood idea supports as firmly and as clearly as we is the commitment to recognition of the neighborhood as a whole, expressed through its public, partially self-governing character. It is this very commitment which makes us particularly eager to see the National Neighborhood Policy Act passed, a good commission appointed, and a thoughtful and authoritative report issued and implemented. For now, we can truthfully say that the neighborhood idea has achieved a certain legitimacy and public favor.

But, having struggled against various odds to come to the fore, the neighborhood idea, by appearing on the threshold of widespread public recognition, now paradoxically faces even greater dangers - the dangers of success. For the experience of recent years has shown that once an idea gains legitimacy in the federal government, the media, the large private institutions and interest groups, the idea is applied or used rapidly in many different contexts and from many different standpoints. If this were to happen with the neighborhood idea, it might prove fatal or seriously damaging to what seems now to be a very promising development in American life. If each federal agency for example, suddenly proclaims a neighborhood policy and begins defining neighborhood boundaries, criteria for neighborhood organization and citizen participation, special program requirements, and so on, and private agencies do the same - why very soon the neighborhood will be so fragmented and pulled apart by its friends that the days of the early federal bulldozer in/urban renewal may look good by comparison.

This is why it is critically important that this Commission be established now while there is still time for an holistic approach in federal policy to the neighborhood, so we can study the neighborhood before our well meaning efforts might destroy it. It is vital, in sum, that whatever is done now and in future federal actions affecting the neighborhood respect the neighborhood in all its aspects, whether the specific issue be housing, or education, or health, or transportation. The neighborhood, in other words, is more than the sum of its parts, and we believe that this Bill would do much to achieve federal and general recognition of this basic and essential fact.

Mr. **Ashley.** Finally, we will be pleased to hear from Dr. Francis A. Cizon, senior vice president of the Talman Federal Savings & Loan Association of Chicago, Ill.

We welcome you, sir.

STATEMENT OF DR. FRANCIS A. CIZON, SENIOR VICE PRESIDENT, TALMAN FEDERAL SAVINGS & LOAN ASSOCIATION, CHICAGO, ILL.

Dr. **Cizon.** It's very good to be here, Mr. Chairman.

I am pleased to be able to comment on a number of matters relevant to the issue of a National Commission on Neighborhoods.

Much that is in my formal statement is a repetition or a supplement to what has been said during previous testimony. I would, therefore, like to have my formal statement put into the record, and make a few additional comments on the proposed Commission.

First of all, I think many of us are concerned with the throwaway mentality of our society and feel it is time to take conservation interests and put them to work in the defense of our cities.

Our interest, however, is not so much a defense of cities as much as it is a defense of people who have to, or want to, live in specific localities of their choice in the cities.

One of the thoughts that occurred to me as I listened to earlier testimony is that many of the matters discussed at this hearing are really relevant to some of our older suburbs, many of which have taken on all of the characteristics of older neighborhoods in our cities.

We keep talking about saving the cities, and I think what we're really talking about is saving a quality of life for people who live in specific localities. That could be one of the primary matters for the Commission itself to consider.

From my formal statement, it is obvious that I strongly support your bill proposing a National Commission on Neighborhoods. I believe that in a society such as ours, where people live in relatively impersonal surroundings and technical complexities, they need identity. They do not easily get identity of a personal nature from a city or a State or a nation, but through the personal interactions they have with other people. That occurs usually in neighborhoods. It does not occur in abstraction. The relationship between personal identity and neighborhoods needs to be given special consideration.

Second, I would like to stress a serious need on the part of this Nation to develop a national urban policy and a national housing policy. Many of us have been concerned that our national desire to provide adequate housing for all our people has diminished in recent years. We do not seem to give housing the same national priority that was evident in the 1930's, 1940's, and 1950's. There is need to create an incentive for the maintenance, the preservation of the housing that exists, and for the development of new housing that is needed.

I believe a National Commission on Neighborhoods would encourage the development of such policies.

Third, I would like to stress the significance of the complexity of the problem we are facing. It is too easy—as we have in the past, and we continue to do even today—to say "this is the problem and this is the solution."

It is easy to say that houses are getting older, and let it go at that.

It is easy to say that blacks are moving in, and let it go at that.

It is easy to say FHA did it, and let it go at that.

It is easy to say the building codes, or labor unions, or disinvestment, or redlining is the cause. It's easy to say whatever we want to say, and then just kind of let it pass.

Such simplicity does not solve a thing. No one factor is causing deterioration in our cities. One of things that we have to look into is the casual relationships between these factors. Which of these are the cause, which are the effect. It may not necessarily be true that any one of them is the cause or the effect in all instances.

It may be that in some neighborhoods one of these factors may be creating the problem. In another neighborhood it may be some other factor.

It is just too simplistic to think that any one factor will solve the problem. I strongly support the present bill, because in focusing on neighborhoods, we can examine the complexities of the system.

Fourth, Federal and State agency competition and bureaucracy tend to hinder resolution of problems.

I have had an opportunity, through the last 20 years, to work with many, many Federal and State agencies on problems in various cities.

I was the principal investigator, for example, of the income maintenance experiment in Gary, one of the five that HEW has sponsored across the country. I also worked very closely with law enforcement administration on a series of police-community relations programs for many cities.

The interesting part of this involvement, together with many other relationships I've had with HUD, is the tendency for each of these agencies to see themselves as the solution to the world's problems. Somehow, none of these agencies seems to have "the" answer.

Each may have part of the answer. Unfortunately, as has often happened, each can also become part of the problem, because of their tendency to focus on one particular element of the problem and on their own bureaucratic needs.

There is no way we are going to save the neighborhoods of our cities by separating HUD from law enforcement, or law enforcement from education, or education from welfare, or any of these from each other.

One of the biggest problems in our country today is our unwillingness to look comprehensively at anything and our desire to find quick, short-term answers to long standing problems.

Some may argue that a Commission that is 2 years long will encourage inaction on the part of Congress. I don't believe that will occur. A national Commission will not prevent Congress from acting on evident needs. On the other hand, if someone does not take a relatively long-term look at the problem of neighborhoods—we will continue to legislate piecemeal, ineffective solutions to issues that demand comprehensive programs. We will continue accusing each other; we will continue protesting; we will continue promoting special self-interest legislation, and not solving a thing.

The problems we are facing are too important, too significant to the future of our cities and the future of our country to continue in such a manner.

Another thing I'd really like to stress is the need for a continuing partnership between residents, institutions and government in the effort to aid neighborhoods. Residents of a neighborhood are not going to solve anything alone, because they have neither the resources nor the expertise to do it alone.

There is often as much conflict between the community organizations of specific neighborhoods as there is between agencies of Government and often as much competition between them as there is between businesses.

Talman Federal Savings & Loan Association is located near what is probably at this time one of the more controversial and tense neighborhoods in the city of Chicago. This is the Marquette Park area that is getting national attention because of the racial tensions of this past summer. Who has the answer? Community groups in this area cannot agree with each other on how to resolve the issues.

It is also the area in which there is an aging population, and many homes become available for sale as the older folks retire elsewhere or die.

What are the incentives for young people to come into this neighborhood? Again, which community group or institution has the answer?

We all search for answers, and I might add that search is recent. Many think that we will find no solutions because there are none. I think, we have not found solutions, because we have not been looking hard enough or long enough. It has been too easy for us to sit around condemn each other rather than sitting down together and saying, "Look, these are things I can do; there are things I cannot do. Will you accept my limits, if I accept yours. Let's work this thing out."

One of the great pluses of the neighborhood housing service program has been the model, in a sense, that it has established for us in creating this kind of partnership. I can go to the city administration as a representative of financial institutions with Gale Cincotta representing community groups and talk together with city agencies about how we need to do something to resolve a problem, and not how we can make each other look guilty.

It is too easy to claim that the financial institutions have disinvested in a neighborhood, industry has run away to the suburbs, labor unions are forcing unrealistic building codes, and politicians won't listen. It is not quite as easy to sit down and say, "Look, I know what my problems are. I think I have some idea of what your problems are. Am I right?"

The Commission could encourage that kind of relationship and cooperation.

One other point. We cannot simply say save the cities and totally forget the metropolitan areas. There is no way that suburbia will survive without the city, and no way that that city will survive without the suburbs.

There will be bigness in our society whether we like it or not. We will be a complex, computerized urban society. The question is not how to stop change, but how to keep change human; how to keep it manageable; how to keep it within the principles and quality of life we want to preserve and promote.

One other point which has not been stressed in previous testimony. The Commission might well serve an ancillary purpose in that an organized look at neighborhoods might provide a helpful method of looking at other social problems.

Many national Commissions are related to specific issues, for example, civil disorders. They are often established in a sea of emotion. Public furor almost prescribes the results of the Commission prior to its establishment.

The Commission on Civil Disorders, for example, recommended many activities and programs which were totally ignored as the emotion of the moment subsided. Some recommendations followed but in a piecemeal manner. We are not in that kind of emotional furor about this issue, and I think we can get a more objective, a more comprehensive view of our cities as a result.

So I would like very strongly to lend the support of the financial institutions I represent and of myself to the establishment of this Commission so that we might take a very needed and meaningful look at our neighborhoods and cities and the variables that impact them. "Let's not throw away our cities and neighborhoods by throwing away an opportunity like this."

I'm very thankful to be here and for the opportunity to express my comments on this matter.

Thank you.

[Dr. Cizon's prepared statement with attachments submitted on Chicago, Ill., neighborhood development plans, follow:]

STATEMENT - NATIONAL COMMISSION ON NEIGHBORHOODS SUB-COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

The human experience in America has been unique in the history of the world, -- in that human beings have never encountered such an abundance of resources as did the settlers who came to this country. And all these resources were available for the taking, and the using. Americans took from their abundance with the anticipation that further on, there was always more that could be used. This same thinking and practice has prevailed in the building and use of our cities.

Traditionally, our cities have been built at points of natural advantage, like lakes and rivers. As they grew, cities spread out with people moving out as neighborhoods became worn and used up. There was always more room in which to build new neighborhoods, and there was no need to be concerned about the old.

For 300 years, this country has subscribed to the "throw away" philosophy of using up our natural resources and our cities and then moving on to new frontiers-- there to start this process all over again.

Now the frontier is closed. We realize, perhaps a little late that there are ends to our abundance and there is a limit to where neighborhoods may move.

It is interesting to note that as we commemorate the bicentennial year of our country, there are cities like Paris that are 2,000 years old--that Rome, Athens and many near Eastern and Asian cities go back to the beginnings of recorded history. Yet--our cities, most of which are no more than a hundred years old are considered to be dying.

Perhaps my prejudices will show but despite its urban problems, Chicago where I work, is really one of the most beautiful cities in the world. One is hard pressed to find any American city which offers a lake front comparable to ours--or any metropolitan area that offers the architectural heritages of a Wright, a Sullivan or Vanderow. It is rich in cultural and recreational facilities but more important than this, it is rich in people.

Wave after wave of immigrants and migrants came to Chicago in search of a better life. And most of them found it there. In return, they brought with them their many cultures and heritages enriching that city. And this experience has been repeated many times throughout the cities of America. In any major city of this country, one can find representatives from almost every nation earth, as well as evidences of all religions in the spires of churches, temples and places of worship that make up their skylines. In no other place in the world has such a social experiment been tried as in the United States, and our cities have reflected both the strength and the success of this blending of cultures and nationalities.

It was in the cities that these people lived together to protect and promote their own life styles and to give them a sense of belonging in a complex and sometimes frightening society. It was neighborhoods that formed the mosaic of most of our major cities.

But neighborhoods, like people, grew old and tired. Progress and change brought people a mobility, a different set of values and technological advances made it attractive to move out from within the city into the burgeoning suburbs. Demographic changes in age structures, improvements in transportation systems, individual economic growth, social class attitudes valuing suburbia over city and racial feelings have for decades encouraged an outward expansion, particularly of whites into the suburbs. And with little thought and concern about the neighborhoods that have been left behind.

This exodus out of the city is a constant threat to neighborhood stability. The vacuum created by the move to the suburbs is usually filled by persons or groups of a lower social and economic class, usually less capable or interested in maintaining existing standards of housing.

Disinvestment by individual homeowners, local businesses, local government, insurers and financial institutions become part of the neighborhood deterioration picture. Municipal services decrease, crime and welfare increase. Education facilities diminish and a surging citizen fear, and alienation accompany the process.

Complete abandonment and demolition follow. The pattern occurs so often--many naturally fear for the viability of our major cities.

Although well intended, government policies and programs have often contributed to the deterioration of cities and their neighborhoods--mainly because there has been no clear national urban or housing policy around which to develop a consistent series of positive neighborhood savings programs.

Federal efforts at improving transportation have in effect subsidized movement of industry, commerce and the relatively well off citizens, mostly white, from the inner city to the suburbs. Federal urban housing programs, specifically FHA, was for years primarily oriented to the purchase of new homes most of which, because little land was left in the central cities, were built in the newer suburbs. In effect, for years, the FHA and VA programs subsidized the movements of white middle class persons out of the central cities and older suburbs while at the same time penalizing investment in the rehabilitation of rundown neighborhoods of these older cities. FHA programs have recently produced massive housing abandonments within the cities. In addition, the housing industry has, too often, been used as a primer for the economy rather than as a means of fulfilling housing needs.

Urban renewal, while usually expressing the goal of providing decent homes for urban residents, began a practice of urban renewal for low income residents in the hope of attracting a middle class return to the central cities. Local taxation and code requirements have encouraged demolition of multiple dwellings rather than rehabilitation. Lack of programs to deal with commercial strip shopping has contributed to the demise of neighborhood businesses which in turn affect housing deterioration within the proximity of shopping strip areas.

Program fragmentation at the national level has committed most efforts to failure. OEO, LEAA, FHA, HEW, EEO, Income Maintenance programs were all conceived and operated independently--many of them in conflict with existing institutional programs. Inter-governmental conflicts and the inability to be sensitive to the specific problems of cities have contributed to the ineffectiveness of many of these programs.

Also, on the local and state level, with politicians responding to the needs of rural and suburban communities from which the majority of them come, and with inadequate city tax bases and insufficient home rule capabilities, metropolitan problems remain undefined--let alone resolved. As a result, the very role of government and the credibility of government's ability to serve the needs of its people is being challenged.

And the challenge is valid because in spite of the problems and challenges of the city, many people are now saying that they do not want to move to the suburbs. They want to live in the neighborhoods that they and their ancestors have built. Congestion, school overcrowding, high taxes, city service inadequacies have all contributed to disenchantment with the suburbs. The inflated cost of housing particularly has made it more feasible to live in the city. Many people are telling us that they have reached the limit of our expansion.

The temper of the times is changing. There is no longer a desire to discard the old. In Chicago, the Manandock Building, Carson Pirie Scott, the Robie House and all of the Pullman neighborhood have been declared national landmarks and are being restored. In cities like New York, Washington, and Chicago, neighborhoods like

Greenwich Village, Georgetown and Old Town are the places in which to live and property which had been left unattended for 50 years has now become the center of an energetic revitalization and are increasing in value. The circle spreads again--but this time moves towards rehabilitation and restoration.

Our cities are beginning to come alive again and with help can be more viable than ever.

Citizen groups, private industry, financial institutions and governments are experimenting across the nation with ways of saving neighborhoods, and consequently, the cities of our nation. In Chicago some of the efforts which are underway hold promise of answering some of the needs of our city. These programs, however, individually conceived and executed require close and intensive analysis as to how they fit into the whole concept of urban rehabilitation.

I would like to demonstrate the scope and diversity of these endeavors by briefly listing a few...

1. The start of the Neighborhood Housing Service program in three neighborhood areas of Chicago.
2. The development of a special HUD component dealing with abandonment, and the establishment of a NHS program in a fourth neighborhood.
3. The establishment of the "Chicago Home Purchase and Rehabilitation Plan" utilizing city, government, financial institutions and a private mortgage insurer to provide home ownership opportunity in selected city neighborhoods.

4. The development of RESCORP, a metropolitan savings and loan based service corporation engaged in multi-unit residential rehabilitation in specific neighborhoods.
5. The establishment of the Greater Southwest Development Corporation to promote programs of neighborhood enhancement. In many respects this is an innovative approach utilizing the many resources of the private, financial and business sector of a city neighborhood.
6. A financial assistance program directed by the City of Chicago which provides grants and subsidies to homeowners in specific neighborhoods for improvement and code compliance.

These efforts are probably being duplicated in many other cities throughout this nation. But they only scratch the surface--they are only a beginning--and because they are not part of an organized plan for neighborhood preservation in the city they may prove ineffective in the long run. We are all concerned about their long term effectiveness and could use more resources and public support.

Many residents and business institutions in our cities are ready and willing to act, but there is need to know more about neighborhoods and the many variables that influence their growth and decline. Without this knowledge, we cannot be sure of our direction and the worth of our efforts.

There is an obvious need for a comprehensive analysis and assessment of available resources to serve neighborhoods or of resource opportunities that could be developed. There is need for more centralized planning with flexible and responsible and accountable program implementation. There is need for new solutions.

What is not needed are accusations, meaningless protests and simplistic answers which will happen as confidence in the government's inability to meet the needs of its cities wanes. Above all, there is need to minimize the input of self interest groups and to encourage cooperative efforts between residents, business, labor, financial institutions, professions and government at all levels.

HR14756 offers an opportunity for this nation to take a much needed and meaningful look at our neighborhoods and the variables that impact them. It provides us the opportunity and mechanism to develop and propose comprehensive legislation and programs to help us save one of our most important assets--the neighborhoods of our cities.

Let's not "throw away" our city neighborhoods by throwing away this opportunity. As one who has worked all his professional life with the problems and challenges of our cities, I strongly urge that you support the establishment of the National Commission on Neighborhoods.

Francis A. Cizon, Ph. D.
Senior Vice President
Talman Federal Savings (Chicago)
September 9, 1976

NHS - HUD
Demonstration Project

INTRODUCTION

Neighborhood Housing Services of Chicago is actively working to stem deterioriation and "turn around" three neighborhoods in Chicago. The Bank, Savings and Loan and community leadership involved in this effort believe there are other neighborhoods that can also be "turned around." These neighborhoods are in substantially sound condition and predominantly owner occupied, but they are deteriorating rapidly due to the inordinate number of abandoned structures. This proposal outlines a program to preserve this kind of neighborhood and the sound housing that exists there.

NHS-HUD SPECIAL PILOT PROGRAM FOR FORECLOSED AND ABANDONED PROPERTIES

I. PROBLEM:

Abandoned housing not only represents an eyesore in the community, but it has a serious, demoralizing effect on the residents in such communities. Abandoned properties present attractive targets for gangs, vandals, and arsonists. All too often a structurally sound and restorable property, when abandoned, is quickly stripped. The result is a property that is uneconomical to restore to a habitable condition. The inevitable for such a property is demolition. With increasing frequency, residents in the surrounding neighborhood, despairing of these conditions, abandon their own properties. Thus, a chain of events is set in motion that accelerates the deterioration of many, once good and viable, neighborhoods in the city of Chicago. This just described situation is now beginning to take place in the community of West Englewood, Chicago.

Any attempt to resolve the problem will require the combined efforts, resources, and cooperation of many participants. As an important first step in beginning to treat this problem, NHS has formulated this proposal.

II. SPONSORING AGENCY: NEIGHBORHOOD HOUSING SERVICES OF CHICAGO, INC.

Neighborhood Housing Services of Chicago (NHS) is a neighborhood preservation program privately initiated and funded by Banks, Savings and Loans, and community residents. It is a not-for-profit corporation aimed at reversing the investment attitude in declining neighborhoods so that neighborhood residents, financial institutions, and city government will strengthen their investment in home and neighborhood improvements.

Forty of Chicago's Banks and Savings and Loans contributed to the NHS Program's operation and have pledged to lend for mortgages and home improvements in the target areas. The two largest Banks and two largest Savings and Loans in the city representing more than $35 billion in assets have active representatives on the Board of Directors. The President of the NHS of Chicago is a Senior Vice President representing the city's largest Bank.

The effort to organize the corporation was carried out by the Federal Home Loan Bank of Chicago and by the Urban Reinvestment Task Force beginning in the summer of 1974. Strong financial institution, city government and neighborhood resident support is reflected in the Board of Directors and in the operation of the program in close cooperation with various City of Chicago departments.

Neighborhood representatives from the three target neighborhoods - Near Northwest, Central Austin, and Heart of Chicago - serve on the Board of Directors. In each neighborhood a Board of Control made up primarily of neighborhood residents, with representatives of the local lending institutions serving, directs a staff of three people. This full time professional staff (Director/Rehabilitation Specialist, Finance Specialist, Secretary/Bookkeepper/Loan Processor) is responsible for the daily operation of the program.

The NHS staff assists the homeowner from the time the homeowner expresses a desire to have work done through the code inspection and until the contracted work has been actually performed. The staff has the responsibility to make certain that the homeowners' best interests are served.

In addition to referring residents to lending institutions for conventional financing, NHS has a Revolving Fund available to lend at flexible rates and terms to residents who due to age, income or credit standing do not qualify for conventional financing.

III. PROPOSED SCOPE OF NHS-HUD PILOT PROGRAM

NHS is proposing a complementary program to the above-mentioned NHS approach that will enable us to work in an area experiencing a high degree of abandonment of FHA/HUD insured properties. This proposal calls for a planned, systematic program requiring the cooperation of HUD, the City of Chicago, individual mortgagees (lenders), individual mortgagors (owner/borrowers), and the residents of the community that will diminish the number and effect of the abandoned properties and lead to a "turning around" of the designated area.

To decrease the number of abandoned properties NHS will undertake a comprehensive counseling and technical assistance program. In those cases where abandonment is a foregone inevitability, this program proposes a method of liquidation that would have minimal blighting influence in the community. Furthermore, for those properties that are abandoned, NHS will provide a program for the management, securing and rental of those properties.

Success under this program dictates that a beginning target area of approximately 2-4 blocks be selected for a concentrated effort of rehabilitation along with counseling and city services improvement. As these blocks are completed, immediately contiguous blocks would next receive the same treatment. Simultaneously with this concentrated rehabilitation effort, the default counseling, technical assistance, and management components would be carried out in the entire program area. The visible and positive rehabilitation program in the concentration area will provide a morale boost for the entire area while the services being performed throughout the area will be addressing the objective of decreasing the rate of abandoned properties.

The ultimate objective is the restoration, maintenance, and enhancement of the selected target area which would provide the catalyst to surrounding neighborhoods to undertake similar types of efforts. *This Special Pilot Program and the* NHS program would operate in a cooperative effort in order to achieve maximum impact and result.

IV. TARGET AREA: WEST ENGLEWOOD

NHS has selected a target area in the West Englewood community for this pilot program to deal with the problems described. The physical land boundaries of this selected target area are: North, the Penn Central railroad tracks between West 58th Streets; South, the north side of West 69th Street; West, the Penn Central railroad tracks; East, South Wood Street. This area contains approximately 2,000 structures with 3,000 dwelling units. 1,236 of these structures were sold and insured under various FHA insurance programs during the years from 1968 to 1973.

The West Englewood target area is a neighborhood of approximately 10,000 people.

In this area, more than 70% of the structures are single family homes. Approximately 85% of the structures are owner occupied. The vast majority of the residents are black with a median annual income of between $7,000 and $8,000.

A measure of the problem which is developing in West Englwood can be seen in an examination of HUD's own records. Based on this examination it has been determined that HUD was the title holder of record to more than 150 properties in this area. Many other properties were in various stages of foreclosure. A street by street, block by block inspection in the West Englewood community revealed that there were 165 properties which were either abandoned, boarded up, vandalized, or burned out as of November 1, 1974. In December, 1974 approximately 130 properties were in various stages of default. These figures demonstrate the magnitude of the problem in this neighborhood.

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COMPREHENSIVE PROGRAM DESIGNED TO MAINTAIN THE SOUTHWEST AREA COMMUNITY.

DEVELOPED BY:

GREATER SOUTHWEST
DEVELOPMENT CORPORATION

This program outlines the action we are taking to help insure the successful stabilization of not only the Marquette Park area, but the entire Southwest communities areas served by the various business interests in the GREATER SOUTHWEST DEVELOPMENT CORPORATION.

Our program is neither inflammatory nor filled with confrontation. It is a perspective on how private business working together with civic organizations, can maintain, perserve, and in fact, resurrect urban neighborhoods.

Our effort is designed to conserve these communities for the benefit of the good people who presently live there, to give them assurances of our concern and to encourage them to remain and not relocate to other areas.

Too often the solutions to urban change have been sought in subsidies from the state and federal government. The results have too often created more problems than they have solved.

In a unique effort in which private enterprise has taken the initiative without help from government and with a recognition of the need for resident involvement, some of the financial and commercial institutions of the southwest side have developed a housing conservation program based on the following nine key components:

1. CONVENTIONAL FINANCING

   There will be no redlining in these community areas. A total commitment for conventional home mortgages in these areas has been given by all of the financial institutions involved.

2. ONGOING HOME IMPROVEMENT PROGRAMS

This program of private reinvestment dictates that we not only continue, but accelerate the home improvement loan programs intended to make the residents of the community more aware of the financial resources that are available to them.

The lending institutions within this community area are fully committed and financially involved in the community's future.

For example, on the attached sheet showing home mortgage data, you will find that Table I indicates the total outstanding mortgages of all the savings and loans involved in the GREATER SOUTHWEST DEVELOPMENT CORPORATION and the total mortgage loans by number and volume within the community area. The second table demonstrates the commitment that these savings and loans have made to the community area in the past six months in conventional financing.

3. AN END TO FHA ABANDONMENT

The third key part of our program is the elimination of FHA abandonment. A program to rehabilitate the existing FHA, HUD owned abandoned buildings which are located in a small eastern pocket of the area is underway. Five homes are being acquired and will be rehabilitated and sold with conventional mortgages. More will be acquired as the present ones are completed. FHA and the City of Chicago have given their endorsement and cooperation in this venture.

4. APARTMENT BUILDING RESTORATION - ECONOMICALLY SUCCESSFUL

A program to rehabilitate large multi-family buildings in the area has been started. One such project, a 48-unit apartment building, is two-thirds completed, and will soon be proving that older buildings, when rejuvenated, do become income producing and profitable for private investors.

5. COMMERCIAL BUILDING REHABILITATION

Commercial building rehabilitation -- a program for the rehabilitation of commercial buildings along the business strip has already been started.

6. COMMUNITY-WIDE MARKETING PROGRAM

The development of a marketing program designed to portray the strengths within our community has been undertaken. The purpose of the marketing program will surely show the positive viability of this area, not only to present residents and merchants, but it will also draw new businesses to complement the commercial and industrial stability of this community. In keeping with the development of an ongoing marketing program, we have obtained the cooperation of the representatives of the Southwest Real Estate Board in promoting the availability of both housing, home financing and commercial opportunities within all areas of this community.

7. PROVING ECONOMIC VIABILITY

Although this is a not-for-profit corporation, our programs are specifically designed to show that these neighborhoods offer opportunities for businesses and investments within "normal business procedures". We know as businessmen that these communities have sufficient economic incentives for all types of investors, from the local single family homeowners to the large corporate entity. People make an excellent living in our area. Without the establishment of a "profit-oriented" principle, no community can maintain itself.

In the short period of our existence, we have already seen many new businesses move into our community, and existing ones expand and remodel.

8. NEIGHBORING COMMUNITY DEVELOPMENT

Knowing that no communities exist in isolation, these same financial institutions are supporting, with many others in the Chicago area, the establishment of a "Neighborhood Housing Services Program" within the neighboring community of West Englewood. Significant dollar commitments have already been made by these institutions to develop such a project in cooperation with HUD and the City of Chicago.

9. TOTAL COOPERATIVE EFFORT

There is no reason why a cooperative effort similar to that of a Neighborhood Housing Service could not be worked out between the residents of the sensitive area bounded by 63rd Street on the North, 72nd Street on the South, Western Avenue on the West, and Bell Avenue on the East, the financial institutions primarily serving that area and the City of Chicago. Such an independent Preservation Program could protect and enhance the economic and social investment the people of that area have in their homes and their neighborhood.

This makes much more sense than a proposal to demolish 1200 homes, relocate 5000 persons, and substitute high rise structures in place of single family homes. This is especially true when local area realtors tell us that they have more available conventional home buyers than buildings available to them.

To our knowledge, this is the first major effort made primarily by private enterprise in cooperation with community organizations, to conserve and enhance a neighborhood.

Community Services and Research Corporation
7 South Dearborn Street Chicago Illinois 60603

THE CHICAGO HOME PURCHASE AND REHABILITATION PLAN

Introduction

The Chicago Home Purchase and Rehabilitation Plan seeks to combine a number of activities in a coordinated effort concentrating on owner occupied housing. It is designed to accomplish the following:

- Stimulate the rehabilitation and improvement of existing housing
- Provide responsive mortgage financing
- Attract and assist qualified buyers and owners
- Develop a new model of public-private cooperation in the area of community revitalization
- Encourage additional investment from both the public and private sectors.
- Test the techniques and develop data and information on the performance.

Description

The plan is directed toward people who wish to purchase a home and make needed repairs, but who may not be able to afford the normal down payment. It also applies to people who wish to rehabilitate their home through a refinancing of their present mortgage.

Key elements of the plan are:

- to provide mortgage money at prevailing market interest rates
- below normal down payment requirements
    - 8% on single family units
    - higher equity on 2 to 4 unit structures
    - the housing must be located in one of seven communities: Austin, East Rogers Park, Grand Boulevard, Lawndale, South Shore, Uptown and Woodlawn
    - the housing must contain 1 to 4 living units

- the repairs made to the building must bring it into compliance with City of Chicago building code in the Model Cities areas.

- In Austin, East Rogers Park, and South Shore the building must be brought up to code or 10% of the mortgage amount must be placed in rehabilitation, whichever is greater.

- The owner must occupy one of the units.

- The consumer must meet standard credit requirements.

- The consumer must participate in home ownership counseling sessions.

Participants

The key institutional participants in this public-private effort and a brief description of their role are:

- The City of Chicago will provide a guarantee fund held in long term trust to protect against a designated percentage of loss. In addition the City will provide counselors to assist borrowers on the requirements and the responsibilities of home ownership.

- The Pool (lenders) will provide the mortgage money for the loans under this program. There are presently 22 lending institutions which have pledged slightly over $7 million dollars in mortgage money. The lenders will assume a designated percentage of loss.

  Three members of the pool - Talman, First Federal, and Uptown Federal - will act as agents for the pool by providing processing and servicing. All 22 institutions will participate in each loan.

- Community Services and Research Corporation (CSRC) will be responsible for providing coordination and administrative services for the program. CSRC will market the program, work with community groups interested in the program, act as a liaison with all City of Chicago agencies, and collect data to evaluate the performance.

- The private insurer, MGIC, will provide insurance to cover a designated percentage of loss.

Mr. **Ashley**. Well, let me say I am very glad that you were able to be with us today to present this testimony, which I found enormously interesting and quite exciting.

I might say that I could not help but reflect as I was listening to your testimony that you are a very interesting product of the industry that you represent.

Dr. **Cizon**. You know, in that regard, Chairman Ashley, one of the things that must be remembered is that many of the people in industry, including many of the people I have come to know during the last 5 years in the financial industry, are only recently examining and taking stands on what are basically issues of social concern. For too long in our country industrial leaders have said, "Let government do it." And the people have said, "Let government do it." Government, however, can do nothing in a democracy without the support of the people who wish it to be done or allow it to be done, and the institutions who can make it possible.

The government does not have all of the resources; neither does industry or the financial institutions in this case. But, we cannot leave private investment out of the rehabilitation of our cities.

Mr. **Ashley**. Well, it is manifestly impossible because, as you point out, there are not the Federal resources available. Those that are available are under enormous pressure, as great a pressure, I might say, as the community development block grants are under pressure in Toledo or Chicago or New York or Philadelphia or any other place in the country. They are under enormous pressure.

So the Federal resources, it would be manifestly imprudent, it seems to me, to try to rely on Federal resources when we have private resources that are available and are there to be used. And I can only say that I so welcome the kind of perspective that you case this discussion in, because I think it is enormously constructive.

I was interested, in leafing through your prepared testimony—and I might say that that part of your prepared statement will certainly appear in the record—and this is in point with what we have just been discussing. It's on page 6. You point out that—quoting: "In Chicago some of the efforts which are under way hold promise of answering some of the needs of our city."

Later you say: "I would like to demonstrate the scope and diversity of these endeavors by briefly listing a few," and you touch on the neighborhood housing services program, of which there are three in Chicago. You list the HUD effort to deal with abandonment. You then list the establishment of the Chicago home purchase and rehabilitation plan, utilizing city government, financial institutions, and a private mortgage insurer to provide homeownership opportunity in selected city neighborhoods.

I am not familiar with this effort. Perhaps I should be. But I would be interested to hear just briefly what that is all about.

Dr. **Cizon**. One of the inserts that I put in the formal presentation, Mr. Chairman, is a 2-page review of the program of the Community Services and Research Corp., which is entitled the "Chicago Home Purchase and Rehabilitation Plan."

This is a program which was developed by CSRC, which is a subsidiary of Rescorp, a multiple savings and loan service corporation in Chicago. One of my staff members was released, as a matter of fact, for 4 months to work with them on the development of this program. The program itself is an attempt to share the risk of investment in high-risk loans.

Mr. Ashley. Wait a minute. What's the difference between three and four?

Dr. Cizon. The rehabilitation plan is one of the programs that Rescorp is promoting, through the Community Services and Research Corp., in addition to its regular rehabilitation effort on multiple unit dwellings. The object of the program is to stimulate rehabilitation and to provide mortgage financing for high-risk loans. A risk pool of capital was provided from model city funds originally and now partly from community development money to cover the top portion of the mortgage risk. This 20-percent risk is the portion that most private investment fears most. Private insurers (MGIC) have guaranteed the next 15 percent of the loan. The private lenders take the remaining risk.

It is a coinsurance program with city, private insurer, and private investor sharing the risks. It took some time to work it out, but I believe this is the direction in which we will have to move.

Mr. Ashley. With the city using model cities funds?

Dr. Cizon. They were using model cities funds at that time, yes. Most of the inserts included in my testimony are illustrations of programs which stressed counseling of residents within selected areas about mortgages, lending practices, and homeownership.

Mr. Ashley. Right, I think what we will do is to have those included in the record, as well.

Who took the initiative in bringing about the Metropolitan Savings and Loan based service corporation, the Rescorp, which is engaged inter alia with multiunit residential rehabilitation in specific neighborhoods?

Dr. Cizon. The primary incentive came from the Federal home loan bank in Chicago itself encouraging the associations. There were many discussions about how savings and loans could involve themselves in urban rehabilitation in Chicago. Rescorp resulted from those discussions.

Mr. Ashley. What about the establishment of the Greater Southwest Development Corp., to promote programs of neighborhood enhancement?

Dr. Cizon. That, again, came out of a series of discussions that the savings and loan people were holding with some of the banks and businessmen in the area, primarily, related to one of the strip shopping areas—on 63d Street. The large shopping centers were drawing customers away from the strip shopping area on 63d Street, and there was concern that that deterioration on the commercial area could lead to deterioration in the community.

I have always felt that the commercial stores of the strip shopping area are first to feel the effects of community or neighborhood withdrawal. Apartment houses (rental units) develop higher transiency rates and finally there is neglect and deterioration in the surrounding residential areas.

Now, our hope was to take some of the key buildings on 63d Street and rehab them, get them rented, show that they were still economically viable, and by selling them return them to the economic marketplace.

Mr. Ashley. Is that going to work, in your judgment?

The reason I ask that is because Toledo and Chicago, like any other major cities in the country, have seen this flight to the suburban shopping center, and it has very adversely impacted, in my experience, on the downtown commercial district of Toledo and very adversely impacted neighborhood stores, the mom and pop stores, and the somewhat larger ones which we see along given blocks. Now, instead of there being viable, ongoing small businesses, they are boarded up, in large measure.

Do the mathematics really add up here, which is to say, Can we expect with the kind of rehabilitation you are talking about a viability with respect to businesses that were once located but which for economic reasons have moved?

Dr. Cizon. I think the comprehensiveness of the effort needs to be given consideration. It is not possible to save all the buildings or all the businesses. It is a question of saving those that seem to be essential to the area and finding other uses for others. Remember that we are not dealing with a deteriorated area, but one in which only early signs of deterioration were noted. This is prevention not renewal. Here is where we need to expend more resources.

Not all businesses on such streets, perhaps, should be saved. Some could be replaced by apartments or residences which for environmental reasons could be put in **L** or **U** shapes—so that the apartments would not face the main street. They could be built in courtyard fashion so that most of the apartments would be facing the courtyard, not the street. It may not be easy to do this, because of the need to obtain zoning exceptions, but it must be part of a comprehensive program for saving strip shopping streets.

Another consideration to be made is that the shopping strips will never serve all the shopping needs of the local residents. We need to become more knowledgeable about which kinds of businesses can be supported locally and which will not.

Furniture stores, for example, are having problems in strip shopping areas, specialty shops are not. Shops that, in a sense, serve the immediate needs of the people in the area, shops that supplement the major shopping centers are the ones that need to be promoted on the strips. We need to do more study of how many stores are needed in specified areas in order to preserve the shopping area viability.

But, I cannot see the city surviving without some strip shopping areas. There are immediate needs that neighborhood people have that they will not go to buy once a month when they go to the shopping center. There are a lot of people who do not have cars and others who don't want to drive far. We need to do more analysis of which stores pay and which do not.

Saving the commercial shopping strips, however, is an essential element of saving our neighborhoods. Our neighborhoods were often built around the corner grocery store or the bakery or the butcher shop. And, these stores were solidifying elements within the neighborhood. I think the strip shopping centers serve the same purpose today.

The Greater Southwest Development Corp., chose three buildings, one that was right at the corner of what was considered a crucial transition area, the other two a few blocks away. We feared that if the first building at 63d and Western Avenue were to continue deteriorating, 10 or 15 other businesses near it would be affected. We put that building back together, and it looks very good. We put in $85,000—excuse me—$125,000 into rehabbing that building. And within 2 years it is going to be paying for itself, including the debt service on it.

In addition to that, the building across the street on its own put in $50,000 to repair the exterior of a restaurant and we are getting kind of a progression of support from other businesses nearby. We are going to put some trees on the sidewalks to promote a pleasant view for shoppers. Our hope was to assure residents that the area was not becoming a slum. To keep the people in the area from becoming frightened about losing their personal home investment.

One of the reasons why I think the Commission is important is because I think the kind of programs we are discussing here are happening all over the country in many cities. It is my hope, by the way, that the Southwest Development Corp., will have not only the support of the financial institutions, but of most of the businesses and the industrial firms that are on the periphery of the community. We need their interest and expertise for helping the people understand and preserve their own community.

We have also developed a promotional program, one brochure is included in the material to market the neighborhood positively. The brochure is entitled, "What is Your Neighborhood Worth to You." Many of the problems in neighborhoods are created by the fear that people have of community property deterioration. Neighborhoods do not usually deteriorate unless people move quickly out of them. The housing vacuum created often draws people without home experience and without community ties. Avoidance of panic in transition areas is the key to the preservation of many neighborhoods.

If you have gradual transition in communities, whether it be with one ethnic group to another, whether it be racial to ethnic, whether it be economic, people learn to cope with each other and they learn to deal with the problems that face them. But if you completely and quickly turn the neighborhood over, there is just no hope to revamp and recoup forces of stability. To pull the community together again quickly is literally an impossible task, and in a short time the community is falling apart at the seams.

Mr. ASHLEY. Your sixth reference was to a financial assistance program directed by the city of Chicago which provides grants and subsidies to homeowners in specific neighborhoods for improvement and code compliance.

Is this done with community development funds, do you know?

Dr. CIZON. Yes. This is a community development program both with multiple units and one to four units in which they are subsidizing, interest rates, to encourage bringing buildings up to code.

Mr. ASHLEY. Dr. Weiler, do you have any specific suggestions with respect to the legislation?

Have you had an opportunity during your vacation in Europe or otherwise, to look at it?

Dr. WEILER. Yes. I have looked at it, and I have personal observations.

Our organization meets every 6 months and informally ratifies things so we have not gone into it as an organization. Personally, I am hoping that it would be passed. That is the first thing.

And I was listening to the arguments for and against 1 year and 2 year and I just don't know. I am afraid that things are rolling very fast.

Is that what you meant?

Mr. ASHLEY. Well, yes. Mr. Palmer, of course, discussed that, too. And if I thought that nothing would be recommended or any action taken for 2-year period, I would redraft the legislation.

I think that the report language can make clear that there will be expected to be a number of interim reports, recommendations, pending the final submission at the end of 2 years. That really is the intent at least of the author, or this author of the legislation.

I say if it can be construed otherwise, and I am delighted at the comments of both of you gentlemen, because—and the intent of the Congress can be made clear in that regard.

Did you have a further comment, Dr. Weiler?

Dr. WEILER. One of the things that we have pushed for in the alliance is getting the Census Bureau to issue information about neighborhoods in a way, first of all, which the neighborhoods can use, and second, to define census tracts in a way so that neighborhoods become part of that definition process.

In other words do not define census tracts so that they crosscut neighborhoods. And that is absolutely vital to the whole collection of information in how neighborhoods are conceived or are not viewed by agencies that are trying to study them and do things. And possibly that might be something to add to the goals of the Commission, that is to thing about information as it affects neighborhoods.

Mr. ASHLEY. Well, I am glad you brought that up. I think that should be an area of interest to the Commission. And I am sure that the Commission will review these hearings carefully just for such suggestions.

That most certainly is expected, and I am sure it will take place.

Mr. Palmer, in addition to the 2-year problem which you touched on quite appropriately, you, in the final paragraph on page 2, discuss the role for State governments to play.

And I am wondering in this regard whether you have reference here to membership on the Commission, or whether you are talking about the role of State governments with respect to the problems of neighborhoods and the resolution of those problems.

Mr. PALMER. My reference is more to States having a role to play in the resolution of the problems, not necessarily having a spot or a role on the Commission itself.

Mr. ASHLEY. Well, I am glad to hear you say that because I did not think it was necessary for the State level of government necessarily to be represented in the analysis of problems and possible solutions with regard to neighborhoods.

If, as is contemplated in the legislation, there is the membership that draws heavily from people such as yourself, that are on the firing line in our cities across the country, it would seem to me that the Commission would become privy to the supportive role or roles that State governments can and should play, and must play.

Mr. Palmer. That is really what I was alluding to. For example, as you know, in the State of Ohio there are certain constitutional prohibitions that prohibit cities such as Toledo from exercising a number of options under the block grant program that are being used in other cities.

Moving those kind of impediments out of the way of preservation revitalization efforts, I think is a necessary involvement for State government. I think those kinds of things need to be brought to the attention of the State and a push given toward making changes, whether they be legislative or simply administrative changes, to facilitate the processes.

Mr. Ashley. Well, I quite agree with you and particularly since we both represent the same constituency, I am of the view that the work of the Commission will be of very substantial interest not only to those of us in the Federal apparatus and those in the private sector, but those at other levels of government as well, and particularly those in State government.

We do have another vote and I think that the best thing for me to do is to bring the hearing to a conclusion.

I do want to tell you, as I did the other panel, that your testimony has been more valuable than I can really articulate.

And it has been valuable not only from the standpoint of considering whether or not to adopt a bill which is going to be adopted. I think we will report it very shortly to the full committee and to the floor. But it has been valuable because it will serve as a resource for the members of the Commission and the staff of the Commission which will come into being by virtue of the legislation.

So it really serves a double purpose; it has been enormously helpful and informative to members of the subcommittee to serve as a proper predicate for the bill, which we will take to the floor. Beyond that it will serve as a source of the kinds of areas of interest that we expect the Commission to be directing itself to.

From those standpoints, I want to expressly congratulate you and offer the thanks of the subcommittee for your testimony this morning and this afternoon.

Thanks very much indeed.

The subcommittee will stand in recess, subject to the call of the Chair.

[Whereupon, at 2:20 p.m., the subcommittee was recessed, subject to the call of the Chair.]

[The following material was received by the subcommittee for inclusion in the record:]

The Greater Hartford Process, Inc.,
Hartford, Conn., September 1, 1976.

Hon. Thomas L. Ashley,
U.S. House of Representatives, Subcommittee on Housing and Community Development of the Committee on Banking, Currency and Housing, Washington, D.C.

Dear Chairman Ashley: Thank you for your invitation to testify before the Subcommittee on Housing and Community Development with respect to H.R. 14756. I regret that I will be unable to appear before the Committee on the dates suggested.

However, I would like to be recorded with the Committee as favoring adoption of this legislation.

The future of our cities to a large measure is dependent upon the future of our neighborhoods. Up to this point, federal, state and local governments have frequently operated in a manner which is not conducive to the revitalization of central city neighborhoods. A thorough review and examination of the public policy issues by the Commission as suggested in this legislation would make a significant contribution to the well being of our cities and of our country.

Sincerely yours,

PETER LIBASSI, *President.*

HARTFORD NEIGHBORHOODS COALITION,
Hartford, Conn., August 30, 1976.

Chairman THOMAS L. ASHLEY,
Subcommittee on Housing and Community Development, U.S. House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE ASHLEY: As Coordinator of the Hartford Neighborhoods Coalition, I strongly support your bill, H.R. 14756, to establish a national Commission on Neighborhoods. The future of the City of Hartford depends on the stabilization and preservation of its neighborhoods. If the increasing exodus of Hartford residents to suburban towns is allowed to continue, the very backbone of the core city will no longer exist, for these neighborhood residents are the pillars of strength upon which the city must heavily rely for its survival.

Federal Policy must be set to encourage conservation of existing neighborhoods on a national basis. An extensive study of existing policies and programs affecting neighborhoods should be conducted to assess their productivity and recommend needed changes to assure revitalization of our nation's neighborhoods.

Due to prior commitments, I will be unable to attend your hearing on September 9th, but wish to be included in future meetings on the creation of the National Neighborhoods Commission.

Sincerely,

MARYE CERRA, *Coordinator.*

STATEMENT OF A. E. REINMAN, JR., SREA, MAI, CHAIRMAN, PUBLIC AFFAIRS COMMITTEE, THE SOCIETY OF REAL ESTATE APPRAISERS

Mr. Secretary, ladies and gentlemen, my name is Al Reinman. I am a past International President of the Society of Real Estate Appraisers and I am currently serving as Chairman of the Society's Public Affairs Committee.

On behalf of all members of the Society, I would like to express our appreciation for your invitation to appear before you today. Your invitation offers us another opportunity to assist your office in its efforts to administer Title VIII of the Civil Rights Act of 1968.

The Society was organized in 1935 and today has 6,436 professionally designated appraisers and analysts and 11,961 associate members who are working towards becoming designated by gaining experience credits and taking courses and examinations which are offered by the Society. The membership of the Society consists of independent fee appraisers as well as institutional and government appraisers. The Society offers continuing education to its designated members through a bimonthly journal, a series of guides and monographs, and a number of specialized courses, seminars and clinics.

Our basic introductory course is entitled "An Introduction to Appraising Real Property" and is open to all members of the public. The more advanced courses are open only to those who meet the prerequisites.

I would like to take a moment to review the contributions which the Society has made in cooperation with your office and other offices within the Department to assist HUD in fulfilling its mission.

In 1975, the Society's Board of Governors passed a resolution which was drafted with the assistance of your office as a testimonial of our organization's commitment to the goal of equal housing opportunity. This resolution reaffirmed the Society's abhorrence of practices which have always been prohibited by our Code of Ethics and Standards of Professional Practice. After it was passed, we were pleased to receive a letter from Mr. Lloyd Davis, Chief, Office of Voluntary Compliance, complimenting the Society both for its adoption of the resolution and for the actions we were taking in assisting in the furtherance of equal opportunity in housing for all Americans regardless of their race, creed, sex, color or national origin. The letter concluded by saying that the cooperation and voluntary actions by the Society provide an example for other appraisal organizations to follow.

In addition, we are proud of the fact that even though Title VIII provides a mechanism by which HUD can investigate complaints, and even though the members of the Society have made more than eight million appraisals since the passage of the Act, HUD has not received a single private complaint against any member of our organization to our knowledge.

2. Since the inception of the HUD/Federal Home Loan Bank Board Urban Reinvestment Task Force in 1974 the Society has worked closely with Mr. Whiteside's office. The Society has from time to time made various of its members, at no cost to the Task Force, available to consult on particularly difficult valuation problems. Early this year, our Board of Governors passed a resolution which praised all of the Regulatory Agencies involved with the work of the Task Force. The resolution endorsed the goals of the Task Force and pledged the Society to the continuation of our close working relationship with the Task Force.

3. In 1975, the Society published its Inner City Valuation Study. The study was done with the cooperation of HUD and had as its purpose an examination of the considerations and techniques which had been applied to the estimation of value of inner city properties for subsidized housing programs. We believe that this cooperative has made a major contribution by delineating some of the factors which continue to affect the difficult problem of valuation in certain urban areas.

4. Over the past several years, the Society has continually discussed with HUD various alternatives available for educating HUD personnel in the most advanced appraisal techniques available. We have given, at no cost, our education materials to a minority appraisal organization whose needs became known to us at a meeting in your office. The Society was instrumental in promoting membership for that organization in the North American Appraisal Conference. We have offered complimentary registration to members of your staff at our annual meetings. Mr. Sumpter of your staff will be attending our meeting in Denver later this month.

In short, Mr. Secretary, we are proud of the record that the Society has made in working with your office during the past several years and we publicly renew our pledge to you here to continue that cooperation. We offer to you and your staff, our assistance and guidance as you work to assure sound appraisal practices as one aspect of providing equal opportunity housing to all Americans.

I would now like to address my remarks to the nature and scope of the appraisal process as it applies to a residential property.

An appraisal is sought because the client has a decision to make. The appraiser cannot perform properly unless he understands fully what that decision is. This indicates the purpose and proper approach to take.

The appraiser should not advise or participate in the decision. He is not an advocate. The appraiser simply reports his value conclusion, with necessary supporting data and analysis.

An appraisal is an objective, dispassionate report of market facts.

His conclusions are based upon professional judgment only. The appraisal report should be a complete, self-contained document which can stand alone on its own merits.

REVIEW

A proper appraisal is a supported estimate of market value.

The appraisal process is an orderly program of acquisition, classification, analysis, and interpretation of all data, through which the three indications of value are developed, and which are then reconciled into a final conclusion of value based upon which a report is written.

Three Approaches to Value. 'A' is Market Data Approach which considers sales and market data of comparable property. Also known as Direct Sales Comparison Approach. 'B' is the Cost Approach which considers reproduction cost less depreciation. 'C' is the Income Approach which measures value based on the productivity or earning capacity of the property. Also known as Gross Rent Multiplier Analysis.

Cost is the summary of expenditures necessary to create a thing.

Price is the amount of goods and services, or commodities (in or economy-money) paid or asked for a thing.

Value is the relationship between a thing desired and a potential purchaser.

The principle of substitution is that no person is justified in paying more for a piece of property than that amount with which he can produce a property of equal advantages and disadvantages without undue delay.

Market Value is the highest price in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) Buyer and seller are typically motivated; (2) both parties are well informed and well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in cash or its equivalent; (5) financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale; and (6) the price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.

In valuation analysis, "location" is an economic concept, even though the location can be described in physical and legal terms. The economic characteristics of urban real estate that make up its location are:

Immobility.—This means that the services of the real estate must be produced and enjoyed at a particular spot, or not at all, together with the fact that its immobility makes urban real estate especially sensitive to the market forces of its immediate surroundings.

Constant change.—With cities and neighborhoods under constant pressure to change, because of the dynamics of urban growth and development, the characteristics of a location are in a continuing state of flux. This emphasizes particularly the importance of background and area analysis in evaluating a location for appraisal purposes. It also underscores the critical necessity to forecast market conditions in making any appraisal.

The choice of community and neighborhood is often more likely to be a conscious decision. For the family seeking housing, schools, churches, shopping facilities, reputation of the area and similar factors enter into the decision at this level. Our neighborhood will appear more desireable because of the school district, or because it is a given church parish. Community services and taxes also influence the decision.

The definition of market value itself requires careful examination and analysis of the market in which the property being appraised is found. The property is supposed to be exposed on the open market, and the transaction is assumed to take place as an open market, arm's length transfer. Both buyer and seller are presumed to have information about the market. The property is assumed to sell within the normal turnover period for properties of its type on the market in question, as of the date of the appraisal. The economic, social and political-legal influences operating in the market as of that date will influence the alternative uses to which the property can be put, and hence its Highest and Best Use. Value is estimated in terms of Highest and Best Use as of the date of the appraisal. All of these ingredients in the definition of market value require an awareness of market conditions, and their influence on the value of residential real estate in general as well as on the value of the subject property in particular.

The appraiser, therefore, must approach the estimation of value of the subject property in a systematic, analytical way to be sure that the requirements of the concept of market value are met. This involves an identification of the major elements to be analyzed.

The Appropriate Market Segment (sub-market)—What is in fact the market (or sub-market) within which the subject property is located? What kinds of properties are competitive with and comparable with the subject? Where are these properties located? What is the effective geographic range of properties which can effectively compete with the subject? In the minds of typically informed buyers, what are the important characteristics of a property which will make it a reasonable alternative to the subject? In other words, how far afield does one go in establishing substitutability? It is in these terms that the character and the geographic area of the market in which the subject is located can be identified.

In addition, the subject property is located within the political boundaries of a community. Finally, there is the neighborhood, which exerts direct influence on the value of the subject property. These must be carefully identified because it is within this framework that substitute properties must be found.

The market, the forces of the market, and market value are all considered through the eyes of the typically informed purchaser in that market as of the date of the appraisal. It is therefore necessary to identify who and what the typical purchaser most probably will be.

What are his desires and tastes? What is his income level, his employment status, and his family status? In other words, to what kind of individual will this property most probably appeal? What are his economic, social and demographic characteristics? These factors must be ascertained before the appraiser can begin to estimate the market value of the subject property.

Past sales are value indicators and only important as bases for judgement, or as tests to weigh substitutions for the subject property. The transacted properties are no longer available in the market. The buyers and sellers, as a rule are no longer in the current market. Their real estate needs have already been satisfied. It is very unlikely that the purchaser in a transaction will immediately sell the property at the same price as was paid unless there is change in the buyer's needs, desires, or other circumstances. Therefore, greater significance attaches to the prices likely to be paid than to prices already paid.

The data transactions of past sales, incorrectly designated as comparable sales, used in the comparison do not necessarily control the value of the subject property. The individual characteristics of data properties involved with their multitude of circumstances are not possible to condition physical or economic relationship to the subject property. No two properties are ever alike in physical condition or sold under similar market conditions. Consequently, the mechanics of comparison become faulty. Variables such as time, location, zoning, physical characteristics, access, utilities, etc. are too diverse to idealize in manageable form a direct comparison. The heavy reliance on "comparable sales" in the appraisal practice produced a strong implication that if the subject property was offered for sale under conditions or circumstances like the so-called comparable properties, it would sell for this mathematically computed figure.

The logic of comparison lies in the inquiry of value as to what price the subject property would command in the present market in the light of the past sales.

Contrary to common belief, the principle forces which contribute to the value of a property are not only the past sale transactions or the price paid for similar properties, but the potential sales, competition, scarcity of supply, significant economic changes, environing circumstances and influences, i.e., junk yards, locations and trends surrounding a property of the subject size and type.

The rationale of the buyer and seller is to get the market facts about the subject property, weigh the past market behavior, decide on market tendencies, develop the decision, then take action to effect the sale or decline the purchase.

Until one realizes that value is a function of one's mind—he cannot really understand the appraisal process. This is one of the biggest stumbling blocks for many would-be appraisers who have been trained as engineers, architects, or the like who believe that cost alone makes value. It is difficult for these people to understand that things really are worth only what someone will pay for them; not what it might cost to reproduce them—or what one actually did pay for them.

Likewise, until the appraiser is morally convinced that his job is to mirror the market with the utmost objectivity and candor, he will never be a professional appraiser no matter how profound is his training. To "appraise" is to "form an opinion of value." If the appraiser does not express his real opinion, but modifies it to please someone, or if he expresses a prejudice, he is not "appraising" he is "advocating."

But value itself is an opinion, and "market values" are composite judgment of all buyers and sellers. The measure of market value is not a simple scanning of a ticker tape. Every piece of real property whether a cattle ranch in Florida or a sandwich lease in Seattle is unique.

An appraisal being an opinion, although well supported and documented, is still the opinion of a particular individual. Opinions are fragile, delicately balanced, and are modified by each individual appraiser's personal experience, which must be supported by empirical data which must appear in the report.

The Society of Real Estate Appraisers stands ready to assist HUD in addressing our common problems. In our judgement, the appraisal process may be used as the scapegoat when inner city housing problems are discussed. We repeat our previous statement that an opinion of value is made as of a date, as reported by the appraiser.

The concerns of the appraiser are as follows:

Code compliance.—The public we serve must have unquestioned confidence in the appraisal process and in the valuation reports produced by appraisers serving the public. Vital to the accuracy of the whole appraisal process, and important to the subsequent loan underwriting process, is an underlying premise that any property under appraisement is in reasonable compliance with all current local zoning and building laws.

Professional appraisers acknowledge:

(1) Zoning and building codes are laws enacted to protect the health, safety and welfare of all citizens, as well as to protect the equities of property owners and lenders.

(2) The burdens of interpretation and enforcement on zoning and building laws are and appropriately should remain the responsibility of the municipality or county wherein a property is located;

(3) Due to the age, care and condition of certain properties, along with the changing of codes from time to time that relate to these properties, it is reasoned that many properties unfortunately are not in compliance with prevailing codes; and

(4) All parties of interest in a real property valuation report-owner-seller, buyer, lender, local municipality or county—have a right to expect and rely on a valuation report that reflects current code compliance.

Also professional appraisers recognize:

(1) That strict code compliance enforcement may exact untimely delays and costly, often economically prohibitive, rehabilitation for some party of interest at some point in time; and

(2) That short of strict code compliance, graduated levels of code compliance, or some compromise plan determined by local government, may offer economic relief within the purview of redefined code compliance laws.

Therefore, whenever code compliance is a matter of concern and until such time as appraisers serving the public can be assured of changed or tempered code compliance positions affirmed by the local governments involved, appraisers have no choice but to require that they be furnished with strict current code compliance inspection reports prior to and incidential with their valuation estimates.

It follows that the costs of code compliance rehabilitation will be reflected in all appraisal reports and loan underwriting quotations, whenever possible. When code compliance cannot be achieved in a given property, or when it is economically unfeasible, the valuation report should so indicate.

Crime rate.—Another area of common concern in effecting fair housing practices is the high crime rate in certain areas. This factor plays an important part in the individual who is going to invest his savings and future earnings in a neighborhood. An appraiser cannot overlook this fact in his report.

Property destruction.—Evidence of abandonment, vandalism and "burn-outs." A prudent buyer will be reluctant to invest this savings and future income in a block where there is evidence of these conditions. The appraiser has a responsibility to reflect any circumstances which may affect value.

Market value.—The majority of those who buy property do not have the cash to purchase without some assistance. In the case where the government has placed ceilings on the FHA/VA interest rates, there are price-value discrepancies. As a result, mortgage discounts have developed which increase the price that the buyer has to pay for the property. This is a common practice in the modern economy in every field. Often we hear the question, "How much off for cash?" The appraiser must know and be able to weigh the volume of sales in a given area in relation to the downpayment to the property. If the price has been too high and the equity too low, what stops an individual from living out the equity, then abandoning the property.

Like you, we in the Society of Real Estate Appraisers have been concerned with the problems of fair housing and equal opportunity. We stand ready to join with you in the development of viable solutions to these problems.

Like you, we believe that an independent professional appraisal process is crucial to achieving these solutions.

In short, we see our obligation to insure that the standards of appraisers will enable them to carry out their professional responsibilities in a manner consistant both with truthful reporting and with the national policy of equal opportunity in housing. It is in this spirit that the profession offers its cooperation.

NATIONAL CONGRESS FOR COMMUNITY ECONOMIC DEVELOPMENT,
Washington, D.C., September 13, 1976.

Hon. THOMAS ASHLEY,
Chairman, Subcommittee on Housing and Community Development, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: In connection with your hearings on the National Commission on Neighborhoods legislation, H.R. 14756, I felt that you should have the latest information on Community Development Corporations. While I realize that we were not witnesses during those hearings, the concept of Community Economic Development, and Community Development Corporations is very important to a discussion of revitalization and development of the economies of our nation's neighborhoods.

In brief, Community Development Corporations (CDC's) are corporations formed as holding company conglomerates by members of a low-income neighborhood, with the profits and benefits of ownership and control returning to the people of the community. CDC's are funded in part by the Office of Economic Development, Community Services Administration, and enjoy the training and assistance mechanisms of the many members of the Community Economic Development movement.

CDC's have been fantastically successful in terms of delivering results for each of the scarce development dollars given to our low-income neighborhoods. Most of this success comes from two of the integral parts of a CDC; the use of Free Enterprise as the basis for a development and assistance program, and a lack of large amounts of governmental intervention in the normal workings of the CDC, despite intensive governmental evaluation and oversight.

CDC's have a place of growing importance in the neighborhoods of America. As the only section of the anti-poverty movement which is growing creatively and effectively, CDC's promise to improve the lives of many of the inhabitants of our low-income neighborhoods, while providing products, services, and benefits in the *best* senses of the American economic system.

As the president of the trade association formed by members of the Community Economic Development movement, the National Congress for Community Economic Development, I would appreciate your consideration of the concept of the CDC as a revitalization mechanism for our neigbhorhoods.

I will be happy to answer any questions you may have on this matter.

Sincerely,

PHILIP A. LOPRESTI, *President.*

URBAN HOME OWNERSHIP CORPORATION

A Tax-Exempt Foundation *161 East 42nd Street, New York, N.Y. 10017*

September 16, 1976

Honorable Thomas L. Ashley, Chairman
Subcommittee on Housing and Community Development
United States House of Representatives
Washington, D. C. 20515

Dear Mr. Ashley:

Enclosed is a detailed presentation of the policies and methods that would be required to mount an effective rehabilitation and neighborhood preservation program on the national level. It would be a major program -- designed to reach a volume of 200,000 rehabilitated apartment units a year.

I would like to stress that I have developed this presentation on my own as a private citizen, and not in my capacity as president of the Urban Home Ownership Corporation. However, the presentation is based in large measure on the learning experience I gained as president of UHO and in association with my colleagues there. This is particularly true of such important new concepts as "home ownership" for apartment dwellers and "in-occupancy" rehabilitation, both of which are discussed at length in the attached document.

I have sent a copy of the document to Chairman Reuss of the House Banking, Currency, and Housing Committee. I wanted you to have a copy and would value any reactions you might have. I, of course, would be delighted to answer any questions or explain elements of the presentation more fully if you desire.

Sincerely,

Robert Bonham

Robert T. Bonham
President

Enclosure

A PROPOSAL FOR
A NATIONAL REHABILITATION HOUSING
PROGRAM

A NATIONAL NEIGHBORHOOD REHABILITATION
AND
PRESERVATION PLAN

I

What Is the Need?

We now have on the order of 25 million apartments in the United States which have a current value of more than $500 billion. Common sense says that this magnitude of investment should be protected and not wasted. It is equally plain that much of it is now being wasted.

There is not now, nor has there ever been, a workable program under which apartment buildings could be rehabilitated when age and obsolence require it. The most ambitious effort to date was introduced in 1970 by George Romney, then the Secretary of the Department of Housing and Urban Development. It was called "Project Rehab." Some 20,000 apartment units were rehabilitated under this effort, and a great deal has been learned from that experience. When compared to need, however, "Project Rehab" was only a small start that was ended abruptly with President Nixon's freeze on government housing programs imposed in January of 1973.

Apartment buildings require, on the average, a major rehabilitation roughly every 30 to 35 years. This would mean an average annual output of approximately 750,000 rehabilitated units less an estimated 150,000 which, for all manner of reasons, should or could not be salvaged. Thus, the national target for all apartment rehabilitation should be 600,000 units per year. Compare this to the current national output of less than 25,000 units -- this pace will rehabilitate existing apartment stock once every 800 years.

Perhaps even more devastating than the monetary loss, is what the progressive decay of buildings means to the families occupying them. In the absence of a sound housing program that permits and encourages the rehabilitation of apartment buildings, whole neighborhoods -- like people -- will grow old and die. These structurally sound buildings lose their appeal. They are underwired for today's living patterns; the plumbing increasingly develops leaks that damage the tenant's personal property as well as causing ceilings, walls and tiled areas to visibly deteriorate; elevators break down too often; windows leak; there is heat failure; kitchen equipment is outdated and worn; there are no trash chutes for waste disposal; and even the exteriors become bleak with grime, crumbling entryways and destroyed landscaping. The families able to leave soon do; the rest suffer. Replacement families tend to be those with no alternatives. Ultimately, the process of decay results in abandoned buildings, street crime, a high incidence of fires, juvenile gangs, drugs, and public assistance to pay to move families to the next neighborhood which usually is already on this same downward path.

As the process of neighborhood decline approaches its final stage, the tax base erodes. At the same time, public expenditures increase to deal with higher crime rates, drugs, abuse, more fires, school vandalism, broken and destitute families, and all the other aspects of poverty, chaos and hopelessness.

This litany is not an attempt to say anything new; it is all too well known and documented. It is simply the preamble to a conclusion.

It does not have to happen this way, but it will most assuredly continue to be true in neighborhood after neighborhood, city after city, and soon, suburb after suburb, unless and until there exists an adequate program for the rehabilitation of sound apartment buildings which is commensurate with the inventory of these structures.

Past efforts at rehabilitation were predominantly concentrated on housing the poorest urban dwellers. This resulted in economic ghettos that concentrated the most handicapped families in relatively small projects which all too often did not result in a viable or attractive neighborhood. These were "production oriented" rehabilitation projects since the subsidy was paid to produce units with below market rents. Basically, they supplemented the capacity of public housing projects.

Other housing programs attempted to avoid creating these economic ghettos by providing poor families with one form or another of a housing allowance on the premise that such families could then afford to live in still viable areas. However, these extra "housing" dollars have had little or no effect on stemming the decline of any neighborhood because there is no program under which financing is available to rehabilitate the structures within it. These latter were personal support programs.

The policies recommended below are designed to employ elements of both the production-oriented subsidy and personal support assistance in such a way

- that large, aging neighborhoods are rejuvenated before chaos and mass flight; and
- that adjacent, badly deteriorated areas are salvaged and rebuilt into stable, viable neighborhoods.

At some point a second, unsubsidized program to encourage and finance rehabilitation on a large scale in even better neighborhood areas will be required. It is probably best to defer this until the rehabilitation industry has grown enough to meet the goals of the more urgent subsidy program outlined here.

II

Goals

This program is intended to make possible the rehabilitation of approximately 200,000 apartments per year in already aged, run-down areas which are occupied predominately by low and moderate income families.

It calls for federal legislation creating a new federal program to achieve this goal, based on the provision of mortgage insurance and a mortgage interest subsidy (in the manner of Section 221d3), authorization for a series of ancillary grants to assist various elements of the process, a strong productivity orientation on the part of the U.S. agency managing the program, and several new, but tested, policy concepts. All of these points are elaborated in later sections of this document.

III

Key Policy Changes

Listed below are seven policy changes, or new approaches, which are required to achieve a major neighborhood preservation and rehabilitation program.

1. Make major use of 'in occupancy' rehabilitation.
2. Provide for 'home ownership' in one third or more of the rehabilitated units.
3. Provide incentives to retain existing leadership in each neighborhood.
4. Undertake large area programs, not vest pocket projects.
5. Encourage large scale, fully professional, non-profit sponsors to enter the field by providing them with a six per cent fee within the mortgage to cover their costs.
6. Provide separate grant funding for relocation,

vacany retention, training, and research; provide revolving funds for options in 'in occupancy' projects.

7. Provide for rapid, quality processing by the government.

Each of the above seven policy changes is further elaborated upon, including a detailed statement of the sub-policies or procedural requirements to implement each, in Section VII.

But first it is important to define some of the terms used above, and to demonstrate the crucial nature of some of the newer policy concepts and their interrelationships. That is the task of Part IV.

IV

The Importance of Home Ownership and "In-Occupancy" Rehabilitation

Rehabilitation (or rehab) is undertaken in two situations: "gut-rehab," and "in-occupancy rehab." Gut rehab involves a vacant building. The contractor "guts" or removes every thing in the interior that is to be replaced before he starts rebuilding. In-occupancy rehab involves a building that remains from 50 per cent to 80 per cent occupied during the rehabilitation process. By concentrating all the remaining tenants in one portion of the building, the contractor obtains completely vacant, vertical lines of apartments from the basement to the top floor. In these empty lines of apartments the contractor removes what is to be replaced, and then rehabilitates the vertical line of apartments. Typically one-fourth of the vertical lines are rebuilt at a time in a ten-week cycle. Tenants from the second quarter of the building are then moved into the finished apartments, and their vacated apartments are rebuilt; and so on until the job is finished.

In-occupancy rehab may sound complicated, but in one major test it proved to be nearly as fast as a gut rehab, and it avoided massive relocation problems (and costs). In-occupancy rehab was developed for use in buildings erected in the 1920's or later which need considerably less reconstruction than older, abandoned buildings, and in buildings which do not require a new floor plan. However, its total success is assured only when the tenants could purchase their finished apartment as part of a co-operative, i.e. home ownership.

The purposes and values of in-occupancy rehab are as follows:

1. Rehabilitation can be undertaken in an area at a much earlier date than is the case when abandonment begins. Thus, more of a neighborhood remains; many of the more economically mobile families still remain; more and better commercial operations are still there; fewer very low income families that can barely cope are concentrated; schools are not yet a disaster; gangs are limited in number or absent; street crime and drug abuse are at a tolerable level, and public services function.

2. Sponsors can buy more "as is" value for fewer dollars. That is, rehab costs can be reduced by more than the additional cost of the better buildings.

3. The large upsurge of fires and attendant hazards which

abandonment brings is prevented.

4. The disruption to the community which complete relocation brings is at least 75 per cent reduced.

5. There are from 50 per cent to 75 per cent of the units occupied the day the project is completed which means "rent up" problems almost never exist.

6. Training of occupant families both for living in the completed unit and for operating the co-op corporation can begin well before the project is completed.

7. Current tenants get deeply involved in the process which develops a real sense of ownership.

8. Tenants can and are consulted about many items of finish which make the apartments more attractive to them. This includes lobby treatment, color schemes, laundry rooms, security devices, a meeting room, and even brands of kitchen appliances.

9. Finally, and most important, the problem of neighborhood preservation is dealt with before families are forced to choose between chaos and squalor on the one hand and fleeing on the other.

The more traditional "gut" rehab process is limited in the rate at which it can be undertaken by the number of units available in already vacant and abandoned buildings. This is not a huge number even in a city like New York. The reason the stock of abandoned units does not rise is that so many are destroyed largely as a result of fires and demolition by city officials to eliminate the hazard they present.

Gut rehab can of course be employed in badly deteriorated buildings that are still occupied provided the sponsor can find relocation resources elsewhere or develop his own by first rehabilitating an already vacant building.

Interviews with knowledgeable persons indicate that there are not enough vacant buildings and relocation sources to permit the development of a program of 200,000 units per year using only gut rehab.

The rate at which in-occupancy rehab can be developed is primarily limited only by the number of large scale developers available. For any given sponsor, the vacancies that develop in a building after an option to purchase is arranged and before construction is started will, within a year, permit the number of his projects to multiply so rapidly that relocation ceases to be a limiting factor.

"Homeownership" in apartment buildings means either a cooperative or a condominium. Either mode provides the family with a "piece of the turf." The importance of this becoming a realistic alternative to renting can not be overstated. Nationally, home ownership now approaches 65 per cent. In older apartment buildings the percentage is less than 1 per cent. The era of the absentee landlord has declined everywhere but persists in the poorer areas of our cities.

It is important to stress the crucial relationship between home ownership and in-occupancy rehab. A few rental projects tried the in-occupancy process, but found that they could not count on overcoming the long growing animosity of tenants toward the landlord. Since the sponsor, who is also the landlord, is expected to make a profit, enough tenants found him fair game by refusing to move temporarily to another apartment, feeling that they should receive monetary rewards for all the inconveniences they experienced which construction in occupied buildings inevitably causes.

When, however, the temporary moveout was to permit "their" apartment to be completely redone, they not only moved and accepted all the other inconveniences of dust, dirt, machinery in the halls, but many of them helped organize and schedule the movement and even volunteered to actually pack and move the infirm or incapacitated.

In nearly 1200 apartment units in eight different projects there was never a holdout, not one lawsuit, nor a single case of an extra payment to anyone.

It is important to stress that the combination of home ownership and in-occupancy rehabilitation will require that the private sector sponsor groups (which will actually execute and manage the completion of the projects) include a substantial number of non-profit organizations as well as profit-oriented sponsors. The reason is that non-profit organizations are more suited to the home ownership, in-occupancy method because of the necessity of working closely with tenant groups over a substantial period of time.

This in turn requires that measures be introduced which will make it possible for strong, professional non-profit groups to participate in the program, and to encourage the development of more such groups. The main requirement here is the inclusion of a six per cent fee as part of the mortgage to cover the overhead costs of the non-profit.

V

The Process in Nine Steps

There are nine key requirements, or steps, leading up to the point at which actual construction can begin:

1. Pre-select qualified sponsors who can meet empirical standards, at least two of which are of fundamental importance:
   a) An "on-going" sponsor as opposed to one only interested in a single project, a small area, or a particular neighborhood.
   b) A sponsor capable of reaching an output of 1,000 or more rehabilitated apartment units per year, year in and year out, within three years of selection.

2. Pre-select areas which encompass at least a definable neighborhood. Any ghetto-type area should include the near-ghetto surroundings and all stable, but aging, areas adjacent. The appropriate local jurisdiction should be required to provide

for rent decontrol of any structure to be rehabilitated and should provide that real estate taxes not exceed ten per cent of occupant payments; larger local taxes would be a windfall to the cities while smaller taxes would be asking the cities to subsidize the projects at a time most cities are in no position to do so.

3. Either waive environmental impact statements (those produced to date appear useless) or require them to be prepared by the government as a part of the pre-selection process.

4. Provide each sponsor with a 'set-aside' of apartment units equal to the anticipated ability of that sponsor to place units under construction. A set-aside means that the sponsor is assured by the government, before he incurs all of the costs of preparing a series of rehabilitation projects, that he can develop an agreed-upon production volume provided only that the sponsor prepares and submits applications that meet all criteria for rehabilitation. Without the set-aside, the sponsor would be asked to take an unacceptable risk -- that an otherwise acceptable project will not be approved for lack of administrative or legal authorization when he has invested all of the costs needed to prepare a project application.

5. Assign all (or the appropriate portion) of a pre-selected area (s) to only one sponsor in keeping with the 'set-aside' that the sponsor has merited. The number of likely projects in an area should exceed the sponsor's set aside,

6. Pre-approve flexible acquisition cost ranges in each area assigned to a single sponsor. Numbers 5 and 6, taken

together are the major means needed to keep acquisition prices of existing structures at a reasonable market level and avoid windfalls to their current owners.

7. Require the sponsor to obtain the necessary architectural, legal, and other professional help to submit complete applications to the government for each project located within his assigned area and within his set-aside.

8. Insure prompt, quality government processing of each application for individual projects within 90 days. Current processing by HUD has become a quagmire.

9. Initiate the rehabilitation of each sub-project approved.

VI

Industry Requirements

To produce a program of 200,000 rehabilitated apartment units per year, there will be needed:

1. 80 sponsors each of which can produce 2500 units per year, or

2. 200 sponsors who can produce 1000 units per year, or

3. A mix of sponsor size between (1) and (2) above, which would require about 150 sponsors.

Interviews with knowledgeable persons in industry and government indicated that (3) above, 150 sponsors, is achievable within a three-year program buildup period. This would mean that 50 sponsors each year would reach a production rate of at least 1000 units while those who did so early in the program would continue their growth toward the 2500 unit figure which was generally felt to be about the maximum for a single, successful sponsor.

The need has already been stressed for in-occupancy rehab which in turn is tied to home ownership and the need for large-scale non-profits. With one single exception, such sponsors have been effectively barred from previous rehabilitation programs because HUD would not allow them to recover their costs of operation except when they produced rental projects and could sell a tax shelter just as the profit-motivated sponsors do. By establishing the recommended six per cent fee for fully professional non-profits, a large group of sponsors with success records in cities all over the country will be strongly attracted to this program.

To achieve the recommended program mix of 60 per cent rental and 40 per cent homeownership, there will be a need for 90 profit-motivated sponsors and 60 non-profits. Responses from interviews indicate that a substantial number of seasoned organizations exists in both categories. Housing rehabilitation has been a depressed industry, for reason of inadequate government programs. Nevertheless, there are organizations committed to it which have survived in the face of all of the disincentives of recent years. Also, there are both profits and non-profits with experience almost solely in new construction which would be extremely interested in participating if a viable rehabilitation program came into existence.

Enough such organizations exist to get the program off to a good start and up-to-speed at the levels recommended for the first year. Moreover, past experience indicates that new organizations will form once it is known that a genuine market and a need for their services exist. Certainly, there is no shortage of talented individuals in the requisite fields of management, architecture, engineering, law, construction, and others. It will be an important policy for the government agency administering the program to encourage the development of such organizations in pace with the growth of the program.

A second industry need is that of capable, large-scale general contractors. An interview with probably the largest and most successful firm in this field indicated that such firms probably cannot achieve an annual output of more than about 5000 units each. Unlike new construction of high-rise buildings, rehabilitation does not lend itself to the detailed, computer programmed construction cycle which permits large general contractors to virtually 'buy' out an entire project before it is begun. Most large "new construction" firms have not developed a rehabilitation arm or division in their companies because there has been no steady or sizable market that would make the costly build up investment worthwhile. A few large 'new construction' firms undertook one or two rehab projects by trying to use their present staffs who were not trained in rehab. Several felt they got 'burned,' i.e. lost money. On the other hand, responses from those interviewed pointed out that a fair number of large-scale rehab contractors did develop rather quickly under "Project Rehab" when they thought a long-term program was underway. Most also felt that more than the needed capacity of general contractors would be developed by the large builders now in the field as soon as they could see a large program that would make their investment worthwhile. Thus it is concluded that qualified general contractors will be competing for contracts provided that program goals of something like 200,000 units per year are authorized by the Congress.

Despite the statements in this section about industry capacity, it is likely that in-occupancy rehab will not achieve the stated goal of 40 per cent of the units undertaken until the third year. There will need to be a "go slow" period so that large-scale non-profit sponsors can learn the intricacies of the people involvement (which "gut" rehab does not have) and similarly, general contractors will have to go slow until they become experienced in the differences which substantial occupancy causes them. In the one case where eight projects (1200 units) of in-occupancy rehab were undertaken, all eight projects were finished on time and within the original mortgage amount. The conclusion is that the projects were different, but not really more difficult.

A third industry need will be an adequate supply of skilled craftsmen available under wage rates and working conditions which make large-scale rehabilitation possible.

There are encouraging signs in this direction such as the recent agreement of the New York City construction trade unions to a wage rate for rehab that is 25 per cent below that for new construction. There is every reason to believe that this will be accepted nationally. This should be pursued vigorously, with a careful review made of the Davis-Bacon prevailing wage rates.

VII

Detailed Policy Procedural Requirements

A. Encourage Large Scale In-Occupancy Rehabilitation.

To achieve large scale in-occupancy rehab, three new tools are needed:

a) Separate, non-project, revolving funds which can be advanced to the sponsor of in-occupancy projects to acquire options on structures for up to the number of units in the sponsor's total set-aside. These funds are repaid at mortgage closing, but would be declared grant funds it the project could not be initiated.

b) Non-repayable grant funds should be advanced to in-occupancy sponsors to permit payment to each optioned property owner of the funds needed to accumulate up to 20 per cent vacancies in the property by simple attrition. Grant funds for this purpose should be limited to the amount that would have been required to meet the provisions of the Uniform Relocation Act.

This is a key point for rapid and large-scale operations. By utilizing normal attrition during the lead time that it takes to process projects, most and sometimes all of the relocation needed to proceed is accomplished without forcing anyone to move. The experience of the one sponsor that tried this idea was that he achieved the needed 20 per cent vacancy rate even in fairly stable areas. In contrast to relocation out of the building this process does not arouse community opposition; it is far less costly; it reduces lead time to the start of construction; and, it makes apartments available to which families can be relocated within the project.

The sponsor that tried this idea could not always be sure why he obtained vacancies, but these are some of the reasons: families with illegal income (prostitution, drugs and thefts) would not stay in a federally-assisted project which required them to file forms on the amount and source of their income; families contemplating retirement (such as return to Puerto Rico) did so rather than buy into a co-op; some families said they did not want to buy; some left when they secured jobs or were transferred to distant jobs; and finally, some did not wish to pay the somewhat higher monthly payment for the rehabilitated unit especially those who were over income and thus faced with a surcharge.

The sponsor that used this technique also found that when one project was underway and another nearby was under option, he could use the accumulated vacancies in the optioned property as temporary relocation apartments for the ten weeks needed by families from the project under construction. Thereby the sponsor increased the number of vertical lines that were being rebuilt in the project under construction, insuring more rapid completion.

c) Provide grant funds to in-occupancy sponsors for the temporary relocation of tenants during the ten weeks it takes to rebuild each line of apartments. This relocation is to other vacant apartments within or adjacent to the project, often on the same floor, and back again when the apartment unit is completely rebuilt. It is recommended that this be a fixed sum of $300. The sponsor pays it to the family if they move themselves or to contract movers if the family so wishes. Many tenants used this method as "sweat equity" to earn a major portion of their down payment to buy their apartment. This should be encouraged.

d) The hazards of in-occupancy rehab are few, but should be noted:

1. In order for an architect to prepare final plans and specifications for a project, he needs to visually inspect all or nearly all apartments. To gain such access and to prevent wild rumors, the sponsor must

outline what is being done and why to the tenants. More importantly, the tenants want to know when it will all happen and how it will affect them. The sponsor must be extremely careful to give conservative time tables. When however, the one element the sponsor cannot control -- HUD processing time -- fails miserably to meet its time schedule, credibility problems can become severe. The breakdown in HUD processing and its repeated inability to act within the framework it said it would created the single largest problem one sponsor had to overcome. When neither the sponsor nor the early tenant leaders could satisfactorily explain government delays, the groundwork was laid for 'negative' leaders, i.e., those opposed to rehab, to emerge. Families literally threw up their hands in disgust at another boondoggle. The result was much greater difficulty in getting families to make the legal commitment to buy and to pay their down payments. It can take a long time to overcome these very negative effects.

2. Conditions within the walls are not always what the architect and contractor expected. The time needed to correct a major surprise may force the temporary move of a tenant family to last longer than 10 weeks. Despite all the disclaimers that can be made before the family moves out, animosity develops especially if a major holiday happens to be involved.

B. Encourage Home Ownership in at Least One Third of the Apartment Buildings Rehabilitated Under This Program.

a) Provide a fixed interest rate mortgage similar to the former Section 221d3 program (without the surcharge) rather than a sliding scale interest rate based upon each family's income. Occupants felt strongly that everyone should pay the same price for identical apartments as they would for a tv set or automobile. Less than one per cent of low and moderate income families living in apartments have ever owned their own home. All of their knowledge comes from how the process works for the middle and upper classes. The imposition of payments geared to income, not the price of the home, is not comprehensible; the relatively higher income families, strongly feel that they are being forced to subsidize the lowest income families. By absolutely limiting the number of over-income families to a modest percentage of the units, the government can be assured that only aging, deteriorated buildings will be rehabilitated. As discussed in the next section (C), this avoids imposing an economic penalty on the very group most needed to provide the leadership for a stable and attractive neighborhood.

b) Down payments have been set at two per cent for low and moderate income families in previous programs and this feature should be retained. However, this still means down payments of from $600 to $800. Many, if not most, low and moderate income families do not have access to such sums in cash. Therefore, they should be allowed to pay this sum in small monthly installments and all such funds should be placed in a special reserve to help protect the project should unusual or unexpected costs be encountered. To do this, the present requirement that working capital funds (known as AMPO) be repaid by co-ops should be abolished so that such funds can remain in the project as its working capital.

c) The grant funds for temporary relocation within an in-occupancy project have a very effective, secondary use. Many families provided all the labor to move themselves within the project and back to 'their' rebuilt apartment. The moving allowance was then converted into "sweat equity" towards their down-payment. This practice should be encouraged.

d) Provide separate grant funding for up to three years of training for members of co-op and condominium corporations and especially for their Boards of Directors and Committee chairpersons. This training is essential to help insure long lasting successful projects since virtually none of the initial owners will ever have owned their own home or even lived in a home owned by their families. They must learn how to operate 'their' corporation. Because this training affects their home and the monthly operating costs, experience indicates their willingness to participate. Moreover, the training soon had other affirmative "spill-over" effects. As members learned how to function effectively in their housing organization, they were able to achieve other goals. Better police protection, and better street cleaning and removal of abandoned automobile hulks occurred because 200 families acting through 'their' spokesman were not as easily ignored as their individual complaints had been. A radical change in the climate with the local school was noted when dialogue was opened with school administrators and teachers. These, of course, are all part of what a stable neighborhood needs.

e) Separate funding to provide assistance to individual families who cannot afford a two per cent mortgage payment, using either the existing Section 8 program or a rent supplement payment will be important. It should be automatically allocated for the number of families eligible in an in-occupancy project and for up to 35 per cent of the number of apartments in every project, so that elderly, and other very low income families are not forced out of their neighborhood. Nothing breeds community opposition quicker than a program that can be labeled as community clearance. Both the best and the least able to pay should be encouraged to stay.

f) Home ownership projects should be limited to no more than 300 apartment units unless all the apartments are in one building. Low and moderate income families cannot be brought to believe that their input, as owners, is significant in large projects. The tendency is to treat the managing agent as the landlord, even though this is a self-defeating attitude. Even the larger middle-income projects have gotten out of hand from this syndrome. Co-op City in New York is a striking case. This limit is probably useful in rental projects as well since it helps to protect the government from massive defaults when peculiar circumstances might dictate that only a small area is distressed.

C. Provide Incentives to Retain Existing Leadership in Each Neighborhood.

a) Permit up to 25 per cent of the tenants in an in-occupancy project to be "over-income" families without penalty. It is the leadership from this group of families that can make a neighborhood work. Forcing them out is self defeating. The purpose of a neighborhood preservation program is to develop a viable neighborhood. This can only be done with adequate leadership. It is through leaders that efforts are made to organize to fight crime, improve schools, obtain a fair share of sanitation services, rebuild parks, etc. The most likely group from which this leadership can emerge is those who have developed their skills in other fields. Current policies have the effect of driving these families out. Under Section 236, for example, some of the current families in a declining area are required to pay "market rent." This market figure will almost always be more than the going rent in other parts of the city for neighborhoods that are still stable, have good schools and reasonably safe streets. When faced with the prospect of paying more to remain in a less desirable neighborhood, most of these families depart. The need is to stop and reverse this flight, not create disincentives for leadership families.

b) A second policy is closely related and almost as important. Permit any in-occupancy family which falls below the maximum income limit for a period of five consecutive years to be perpetually counted as within those income limits while they remain in the project. Again, the purpose is to develop a viable neighborhood. When a family improves its lot it is important that they not be penalized for accomplishing what is the goal of the program. Like the early leaders, those who emerge in subsequent years need to be retained, not penalized for their success.

Current policies almost insure that buildings and then neighborhoods will become economic ghettos. Projects that are reduced to 100 per cent welfare families seldom survive for long, certainly not for the forty year life of a mortgage.

Rental projects should be able to attract up to 15 per cent "over income" families for all of the reasons given above. It is not just the project that needs leadership, but the entire neighborhood.

In addition, there is another small group which should be given every incentive to live in the neighborhood. These are the operators of any commercial space in any rehabilitated building. Any operator of commercial space should be excluded from any income limits, and not even be counted in the exceptions to those limits. This small group knows how to run a business. They are far and away the best group available for being able to understand balance sheets and operating statements, and how to plan and finance community projects. Finally there is great need to maintain commercial operations if the goal is to preserve and improve a formerly declining neighborhood. Every incentive should be given to get commercial operators to live where they work.

D. Undertake Large Area Programs, Not Vest Pocket Projects.

a) Provide sponsors with set-asides equal to the number of apartment units each can reasonably be expected to put under construction. One year set-asides should be given to sponsors whose experience indicates a production rate of less than 200 units per year. Two year set-asides should be used for sponsors in the 200 to 400 unit production range and three year set-asides for those sponsors who can produce more than 400 units per year. Review set-asides quarterly and increase them whenever sponsor production warrants.

The purpose of set-asides is the provision of a major incentive for seasoned organizations to make the investment in growth which the program needs. Many sponsors lost money when they prepared projects which the Nixon freeze cut off.

In other cases, fewer projects were prepared than sponsor capacity would have permitted because HUD gave first priority to using its Section 236 authority to new construction, especially to State and local Housing Finance Agencies, making it very difficult and uncertain at what level HUD would allocate Section 236 authority for rehabilitation.

Set-asides are particularly important in in-occupancy programs since early options permit sufficient accumulation of vacancies by attrition.

b) Focus on the needs of the large pre-selected areas rather than insisting, as in the past, that each mortgagable project be a microcosm of the whole area. This should permit all commercial space to be at least minimally reconditioned in any structure that is at least 50 per cent residential. It should permit conversion of any residential portions of a building to commercial if the space is no longer sensible for residential use. Commercial space should be viewed in the light of the needs of the whole neighborhood, and not sub-project by sub-project so that facilities can be provided for chain type supermarkets, drugstores, and similar facilities which are often one of the more important needs of low and moderate income families. Pre-selected areas should encompass all adjacent blocks which contain predominantly low and moderate income families and aging apartment buildings (over 25 years old) so that preservation can be undertaken before chaos and tenant flight.

Large areas coupled with large scale sponsors will vastly increase the flexibility for sponsors to be able to meet all or most of the relocation needs of the program.

Failure to secure timely rent decontrol and a fixed and fair real estate tax structure can result in bureaucratic and politically inspired impotence that can slow down any housing program as well as create community dissention.

E. Encourage Large Scale, Fully Professional, Rehab Developers, Both Non-Profits and Profits.

a) Pre-select sponsors on the basis of criteria such as:

1. Permanence -- do not use sponsors who are "one-shot" or only interested in a small area.

2. Experience of the key executives in large-scale housing programs.

3. Presence of an accredited lender willing to finance the sponsor's construction needs.

4. Experience in the four vital areas:
    - project development and government processing
    - rehabilitation construction (or ability to retain and supervise general contractors who finish on time and within the original mortgage amount)
    - management of completed low and moderate income housing
    - sales experience if home ownership is involved

5. An adequate accounting system

6. Working capital

b) Permit non-profit sponsors of co-op or condominium projects a six per cent fee to cover their overhead costs since there can be no tax shelter sale of such projects. The fact that, with one exception, HUD has not allowed non-profits a fee has effectively barred them from this field, and therefore effectively barred home ownership and the more widespread use of in-occupancy rehab. This policy of HUD is counter-productive. There are many large, seasoned, non-profits in the low and moderate income housing field, but not in large scale rehabilitation. This is the key group for developing home ownership and expanding in-occupancy rehab. In the one case where the fee was allowed by the Project Rehab program, the sponsor successfully developed over 1200 units.

c) To insure that non-profits are soundly-based and genuinely public-spirited, require each one to certify that:

1. No member of its Board of Directors or key official owns any interest in any pre-selected developer, or general contractor or sub-contractor that has, or is sponsoring or contracting for, construction work under the rehabilitation program.
2. No member of the Board of Directors receives any fee or payment for his service other than actual expenses except that one such member can be an employee of the non-profit.

d) The set-asides discussed earlier are a critical incentive for bringing in large-scale builders and developers who, in the past, have avoided the rehabilitation specialty as not worth the investment it would require.

F. Provide Separate Grant Funding for Relocation, Vacancy Retention Training and Research; Provide Revolving Funds for Options to Purchase In-Occupancy Projects.

a) The need for relocation grants falls into three parts:

1. Grants for relocation equal to the cost of complying with the requirements of the Uniform Relocation Act for all families that will be permanently relocated.

2. Grants for the temporary relocation of tenants in an in-occupancy project. This can best be set at a fixed figure per family of $300.

3. Grants for the relocation of commercial tenants if they must leave the project or grant funds to cover all or a portion of their costs if their business has to shut down during the rehabilitation.

The above grant funds are modest when compared to the write-down costs needed to redevelop an area by demolition. Moreover, it is accepted practice for public agencies to pay for relocation when urban renewal is required. Similarly, when an area is to be targeted for rehabilitation and preservation the costs should be borne by the public. Failure to provide for commercial tenants has been particularly hard on them and is counter-productive in that many of these businesses fail just at the time they should be fostered as an integral part of a strong, stable neighborhood. Finally, if this cost is included in the mortgage, it distorts real housing costs and may even cause vital areas in the community not to be rehabilitated because relocation costs would force minimum rents to be too high for the low and moderate families the program seeks to house.

b) Grant funding should be provided for research in direct support of any major rehabilitation and preservation effort. Research should begin as the program is launched and include topics such as:

1. New technology to reduce costs especially with respect to the use of energy.
2. Cost effectiveness of methods and techniques used by different sponsors.
3. True costs of various levels of rehabilitation (complete, partial and cosmetic) versus the true cost of new construction when neighborhood facilities include streets, street lighting, schools, police and fire stations, utility extentions, etc, most of which are already available in rehabilitation areas.

c) Separate grant funding for vacancy retention has already been discussed, as have grants for training tenants and their Boards of Directors and committee chairpersons.

G. Provide for Rapid, Quality Processing by the Government.

a) Every mortgagable sub-project should be processed and either declined or a Letter of Feasibility issued within 90 days. The subsequent Letter of Commitment should be issued in even less time. The utter failure of the government to process rapidly and effectively is probably the single most important reason that rehabilitation has yet to achieve a major role in our housing programs. For a very short period after Project Rehab was launched, HUD did meet the 90-day standard that had been promised. Thereafter, it steadily grew worse until periods of two years passed before a feasibility decision was reached. No large and effective program can be mounted unless this handicap is eliminated.

b) All processing should be by units organized solely for this purpose. HUD has so long concentrated on new construction, that staff assigned to do both rehab and new construction just never move the rehab projects.

c) The government should emphasize the use of lending institutions and private professional help wherever possible in the processing chain. Pre-approved acquisition price ranges for the large pre-selected areas would be one such instance.

d) Special, central office teams should be established to insure timely local processing and appropriate staffing changes in local offices when processing deadlines are not met.

e) The emphasis in the program on productivity will require the creation of an information system which avoids the "numbers game" and provides honest reports on program progress which are intelligent and consistent.

f) There should be a statutory requirement for the program to have a national advisory panel of distinguished citizens to provide for public participation, for regular evaluation of program progress, and an "ombudsman" function. For these purposes, the panel should have its own small budget and staff.

CONCLUSION

The proposal advanced in this document does not purport to "solve" the housing problem of the United States. Rather, it is addressed to one major component of a solution -- the rehabilitation of multi-family dwellings -- a component which, in retrospect, has been neglected to an almost unbelievable degree.

In effect, this program will create a major new market. This means that it will create many new jobs at the same time that it is improving our housing stock and saving urban neighborhoods. These three achievements indicate that the cost/benefit ratio for this use of taxpayers' dollars will be extremely high. The major cost categories are familiar ones -- mortgage loan guarantees, interest subsidy, and rent supplements. New cost categories are minor in size, such as for several categories of ancillary grants and expenses for a national advisory panel. Preliminary indications are that the total cost of the program will be very much in line with previous major housing efforts, but that the program will have a much greater payoff.

What is new about the program is substantive in nature -- the very goal of the program itself, and the new techniques which are critical to the attainment of that goal. These techniques include in-occupancy rehabilitation, home-ownership for apartment dwellers, measures designed to retain leadership elements within the projects, greater use of non-profit sponsors under conditions which make it possible for them to participate, pre-selection of target areas, pre-selection of sponsors and set-asides for them, and others.

Those of these techniques which might seem radically new -- such as in-occupancy rehab and urban home ownership for low-income families -- have in fact been tested and have been found to be successful. All of the techniques enumerated above are based on a learning experience -- the experience of working on the front-lines in the housing field and learning what works and what does not, what is needed and what is not needed. After all of the false starts and inadequacies of the government housing programs of the present and recent past, it is time to put what has been learned to work in an effective framework.

One final word of caution: in creating the legislative mandate for this program, it will be critical to give careful consideration to influencing the manner in which the program is to be administered. The best-designed housing program in the world will have no chance of being effective if it is administered in the heavily bureaucratic "no risk at all cost" style which has been prevalent up to now. The administration of the program must be strongly oriented toward productivity with every possible incentive and influence built in to the program to make sure that this is the case.

HOUSE REPORT 94–1600 AND THE REPORTED BILL H.R. 14756 REGARDING THE "NATIONAL NEIGHBORHOOD POLICY ACT" FOLLOW:

94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 94-1600

NATIONAL NEIGHBORHOOD POLICY ACT

SEPTEMBER 17, 1976.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. REUSS, from the Committee on Banking, Currency and Housing, submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 14756]

[Including cost estimate of the Congressional Budget Office]

The Committee on Banking, Currency and Housing, to whom was referred the bill (H.R. 14756) to establish a National Commission on Neighborhoods, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment strikes out all after the enacting clause and inserts in lieu thereof a substitute text which appears in italic type in the reported bill.

BACKGROUND OF THE BILL

Since the end of World War II, the Federal Government's housing and urban development policies have been directed towards demolition and rebuilding of blighted areas of the large urban communities of the Nation through the Federal urban renewal program and the many other categorical urban development grant programs. The Federal Government's emphasis on its housing assistance programs have been geared overwhelmingly in favor of new construction, rather than the saving and rehabilitation of existing structures and dwelling units within large urban communities. In its efforts to assist urban communities, these Federal programs have increasingly disrupted the ecology of the urban neighborhoods. The Federal urban renewal and highway programs have been often criticized as destroyers of neighborhoods. In many communities Federal Housing Administration underwriting and administrative practices have contributed to the abandonment of otherwise viable neighborhoods. In short, the concept of neighborhood preservation, that is the attempt to keep the residential living areas of large cities as viable living communities, has played only a minor role in our Federal Government's urban policy.

In 1969, the Committee on Banking, Currency and Housing established an Ad-Hoc Subcommittee on Inter-City Financing, chaired by Congresswoman Leonor K. Sullivan. This Ad-Hoc Subcommittee reported on the large scale disinvestment by financial lending institutions in the City of Washington. The Washington, D.C., lending institutions were found to have made few mortgage loans within many areas of the City.

Last year, the Congress passed the Home Mortgage Disclosure Act, Public Law 94–200, after extensive hearings and consideration by the Subcommittee on Financial Institutions Supervision, Regulation and Insurance. As your committee sought to devise a remedy for the problem of "red-lining", that is the unjustified denial of mortgage credit to older urban neighborhoods, it became increasingly aware of the absence of policies, programs and laws that sought to promote the preservation of existing housing in established city neighborhoods. In the case of mortgage credit, your committee found a reluctance on the part of some mortgage lenders to lend on older housing in moderate income neighborhoods. Conversely, terms on new suburban housing were often very attractive. Confronted with this dual credit market, many residents who might have stayed were pushed out—or pulled out—of the older neighborhoods.

Your committee believes that other structural allocations of resources exist in the form of subsidies, programs and habits; taken together, these have the effect of favoring new expansion at the expense of preservation. From your committee's review of housing programs and policies, preservation of established neighborhoods has been a stepchild of Federal policy. There has never been an explicit recognition of established neighborhoods and existing housing as the Nation's principal housing resource. As a number of witnesses have stated to your committee, existing housing is not only our main housing resource, it is the largest single component of the country's national wealth.

H.R. 14756 was introduced by the Chairman of the Subcommittee on Housing and Community Development, Mr. Ashley from Ohio, on July 20, 1976. Companion bills were introduced by a number of members, including the ranking minority member of the Subcommittee on Housing and Community Development, Congressman Garry Brown of Michigan, H. R. 15388, and by Congressman John LaFalce of New York, H.R. 14361. Hearings were held by the Subcommittee on Housing and Community Development on September 9, 1976, hearing favorably from Secretary Carla A. Hills of the Department of Housing and Urban Development; Mr. William A. Whiteside, Staff Director of the Urban Reinvestment Task Force; Members of Congress; representatives from neighborhood organizations from around the country; and representatives from financial lending institutions. The full Committee on Banking, Currency and Housing ordered H.R. 14756 reported by a voice vote, as amended, on September 14, 1976.

WHAT THE BILL WOULD DO

H.R. 14756 would establish a National Commission on Neighborhoods which shall have two years to make an assessment of existing policies, laws and programs that impact neighborhoods, and to recommend modifications. Your committee expects the commission's recommendations would include, but not be limited to:

1. New mechanisms to promote reinvestment in existing City neighborhoods.
2. More effective means of community participation in local governance.
3. Policies to encourage the survival of economically and socially diverse neighborhoods.
4. Policies to prevent blockbusting, red-lining, resegregation, speculation in reviving neighborhoods, and to promote urban homeownership.
5. Policies to encourage better maintenance and management of existing rental housing.
6. Policies to make maintenance and rehabilitation of existing structures at least as attractive from a tax viewpoint as demolition and development of new structures.
7. Modifications in local zoning and tax policies to facilitate preservation and revitalization of existing neighborhoods.
8. Reorientation of existing housing and community development programs, and other tax and subsidy policies that affect neighborhoods, to better support preservation objectives.

H.R. 14756 provides that the Commission on Neighborhoods shall have 20 members, including 16 public members appointed by the President and 4 members of Congress. Of the public members, at least 5 must be officers of active neighborhood organizations engaged in preservation activities, and 5 must be local public officials involved in preservation programs. The commission must reflect a broad ethnic, racial, geographic and political diversity.

The commission's chairman and executive director would require Senate confirmation. Your committee added an amendment to the bill requiring the President to appoint all members of the commission not later than March 1, 1977. This amendment was adopted because of your committee's dismay at the length of time that the Administration took in appointing members to the Commission on Electronic Funds Transfer. It was almost one year after the date of enactment of the bill creating the Commission on Electronic Funds Transfer before the chairman of that commission's name was submitted to the Senate for confirmation. Your committee believes that this National Commission on Neighborhoods is a most important effort and should be ongoing and active by at least March 1, 1977. It is your committee's expectation that the commission members and its staff shall work closely and be assisted by representatives of neighborhood group organizations, government agencies already engaged in Federal housing and community development activity, and the Federal financial regulatory agencies, as well as local government officials.

The commission would be funded by the Secretary of HUD out of funds to be specifically appropriated for research and demonstration grants. Funding of the commission under HUD's research program is permissible under existing law and thus no additional authority is needed. However, the unused athorization for HUD research grants for fiscal year 1977 is $10,000,000. The bill limits the amount which could be appropriated for grants to the commission to not more than $2,000,000. In addition, the bill prohibits commitment or obligation of funds after January 31, 1979, although funds could be used to meet existing commitments after that date. The committee expects the commission to make interim reports and a final report not later than two years after the date on which funds first became available to carry out the Act.

NEED FOR THE LEGISLATION

The National Neighborhood Policy Act would provide an official recognition of the importance of preserving neighborhoods, as well as a commission to assess the impact on neighborhoods of existing policies and programs and to recommend necessary changes. This commission would identify the administrative, legal, and fiscal obstacles to the continued well-being of neighborhoods and analyze the patterns and trends of public and private investment in urban areas and the impact of such patterns and trends on the decline or revitalization of the neighborhoods. The commission will assess the existing mechanism of neighborhood governance and the influence exercised by neighborhoods on local government. An evaluation of existing citizen-initiated neighborhood revitalization efforts and a determination of how public policy can best support such efforts would also be a major area of review by the commission. The National Commission on Neighborhoods will be expected to recommend modifications in Federal, State, and local laws, policies, and programs necessary to assist in the revitalization of urban neighborhoods.

The commission will be in a position both to evaluate the negative aspects of existing programs that affect neighborhoods, and to identify model approaches that could be augmented by appropriate modifications in Federal policies and programs. Your committee expects the commission to recommend both administrative and legislative measures that will convert Federal housing programs into better allies of housing preservation.

The commission will also be in a position to assess the impact of the Community Development Block Grant Program on neighborhood preservation. Criticism has been voiced by various groups that communities are not providing enough of their community development funds for purposes consistent with neighborhood preservation. The commission may find that this is an entirely appropriate decision for local officials to make, or it may find that there should be greater incentives in the block grant program for use of the funds for direct preservation activities.

Beyond direct subsidy and grant-in-aid programs. Federal policies affect neighborhoods in more subtle ways. The presence or absence of reinvestment incentive for lending institutions affects the availability of loans. So do the policies of secondary market institutions. Lending institutions invest more than a hundred dollars in residential mortgages for every dollar of direct Federal housing aid. The commission will assess the impact of lending policies on preservation. It may recommend enactment of additional incentives or vehicles, to encourage depository institutions to invest in preservation, or it could recommend creation of a new form of community development bank, or some other approach.

A final area affecting preservation whose significance is often ignored is tax policy. The discussion of the impact of the Federal Income tax on housing is usually couched in terms of its stimulus to investment in new construction. Yet the form of tax deductions available to investors in existing rental housing has a great influence on patterns of ownership, quality of management, adequacy of maintenance and efforts for rehabilitation. Local tax policies have similar effects. Discussions of tax reform have focused largely on tax equity rather than housing policy. The commission will be in a unique position to analyze Federal, State, and local taxes from the viewpoint of its impact on neighborhood preservation objectives.

It is virtually impossible to contemplate the problems of American cities without recognizing that the essential building block of the city is the residential neighborhood. While your committee recognizes the essential character of neighborhoods, the truth is, little is known about the dynamics of their growth or decline and the factors that contribute to their long-term stability. Absent such knowledge, most of the efforts to deal with such urban problems are disjointed, sometimes short-sighted, and sometimes contradictory.

In favorably reporting H.R. 14756, your committee has no illusion that it will be able to provide the answers to the very hard questions about neighborhood vitality. Rather it is but one step, and a very important one, in increasing our understanding of this very difficult problem.

As was so well summarized during the hearings held on September 9, Msgr. Geno C. Baroni, President of the National Center for Urban Ethnic Affairs, stated in his report:

> I want to make two points. One point is that the evolution of this bill came from people in communities who are desperate, who found out they had a local issue, and they have made it a national issue. And now they want to make it a part of policy. There is no urban policy, and if we want to start an urban policy, you have to start with neighborhoods in revitalizing our cities. Otherwise, the cancer of the inner city and the cancer of our society will give us broke and abandoned cities.
>
> So I wanted to say that even the President's Commission—and I must say this for the record—the President's Commission was set up because 80 neighborhood people met at the White House on May 5, and the President said to them, "What do you want us to do?" And they said, "We want you to talk about revitalization of our neighborhoods." and so he set up the commission on June 30.
>
> I also want to point out that you have the public sector and you have the private sector, but there is a third sector that needs strength, that needs help, and that is the neighborhood and the community sector.

STATEMENTS REQUIRED IN ACCORDANCE WITH HOUSE RULES

In compliance with clause 2(1)(3) and 2(1)(4) of rule XI of the Rules of the House of Representatives, the following statements are made:

With regard to subdivision (A) of clause 3, relating to oversight findings, the committee finds, in keeping with clause 2(b)(1) of rule X, that this legislation is in full compliance with the provision of this rule of the House, which states:

> In addition, each such Committee shall review and study any conditions or circumstances, which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of the Committee.

The objectives of this legislation are (1) to establish a National Commission on Neighborhoods to undertake a comprehensive study and investigation of the factors contributing to the decline of city neighborhoods and of the factors necessary to neighborhood survival and revitalization; and (2) that this commission shall make recommendations for modifications in Federal, State, and local laws, policies, and programs necessary to facilitate neighborhood preservation and revitalization.

With respect to subdivision (C) of clause 3, the committee has received a report prepared by the Congressional Budget Office under section 403 of the Congressional Budget Act. The report is as follows:

CONGRESS OF THE UNITED STATES,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., September 16, 1976.

Hon. HENRY S. REUSS,
Chairman, Committee on Banking, Currency and Housing, U.S. House of Representatives Rayburn House Office Bldg., Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 14756, National Neighborhood Policy Act.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ROBERT A. LEVINE, *Deputy Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

SEPTEMBER 16, 1976.

1. Bill number: H.R. 14756.
2. Bill title: National Neighborhood Policy Act.
3. Purpose of bill:

The bill creates the National Commission on Neighborhoods to evaluate policies, laws and programs that impact local neighborhoods. The Commission will be composed of a professional staff and an advisory board of 20 members, i.e., 4 members of Congress and 16 other individuals who are involved with community development and revitalization programs. Within two years after implementation, the Commission will report its findings, conclusions and recommendations to both Congress and the President. Thirty days after the submission of this report, the Commission will be dissolved. The bill directs that $2.0 million of the existing HUD research authorization be allocated to the commission.

4. Cost Estimate: (millions of dollars).

Fiscal year:	Costs
1977	.4
1978	1.0
1979	.6
1980	-----
1981	-----

5. Basis of estimate:

This bill specifies that $2 million of a previously authorized funding (Housing and Urban Development Research) be allocated for transfer to the Commission. Because the intent of the initial authorization did not specify funds for the Commission, however, it is assumed that the implementation of this proposed legislation would cost $2 million.

The estimate of spending from the reallocated authorization level was based on the following assumptions. It was assumed that the Commission would receive initial funding in January 1977. In FY 1977 it was estimated that only 20 percent of the total would be outlayed due to the Commission's late start in the fiscal year and the start up time required for staffing. In FY 1978, the first full year of operation, it was estimated that 50 percent would be outlayed. The remaining 30 percent is assumed to be spent in FY 1979. These outlay estimates were based on previous experiences of similar types of temporary commissions and on estimates provided by the General Service Administration.

6. Estimate comparison: None.
7. Previous CBO estimate: None.
8. Estimate prepared by: James V. Manaro.
9. Estimate approved by:

C. G. NUCKOLS,
(For James L. Blum, Assistant Director for Budget Analysis).

In compliance with clause 2(1)(4) of rule XI of the House of Representatives, the committee makes the following statement: Since no additional authorizations are provided for in H.R. 14756, there should be no inflationary impact upon the national economy. Authority already exists with funds already available to the Secretary of Housing and Urban Development to fund the activities for the National Commission on Neighborhoods. The findings and recommendations of this commission will better assist your committee and the Secretary of HUD in making better use of existing Federal housing and community development programs for the benefit of urban residential neighborhoods in our large urban centers. More effective use of community development block grant funds directed towards neighborhood revitalization is expected from the recommendations of the commission.

In compliance with clause 7(a) of rule XIII of the House of Representatives, the following statement is made: In addition to the information provided pursuant to subdivision (C) of clause 3 of rule XI of the House of Representatives, the committee provides the following information with respect to the cost to the United States in carrying out H.R. 14756 in fiscal year 1977; and no additional authorizations are necessary to implement the National Commission on

Neighborhoods. The committee has not received an estimate of costs from a Government agency.

In compliance with clause 2(1)(2) of rule XI of the House of Representatives the following statement is made relative to the record vote on the motion to report H.R. 14756: An affirmative voice vote was made in reporting the bill.

SECTION-BY-SECTION ANALYSIS OF H.R. 14756 NATIONAL NEIGHBORHOOD POLICY ACT

Section 1.—This section provides that the act may be cited as the "National Neighborhood Policy Act".

Section 2.—This section finds that the tendency of public policy incentives to ignore the need to preserve the built environment can no longer be defended and that public policy should promote the conservation and revitalization of a national resource, existing city neighborhoods. In order to promote this policy a comprehensive evaluation of the impact of existing laws, policies and programs affecting neighborhoods should occur and necessary modifications recommended.

Section 3.—Subsection (a) establishes a National Commission on Neighborhoods.

Subsection (b) requires the Commission to be composed of twenty members chosen from three categories: two Senators appointed by the President of the Senate, two Representatives appointed by the Speaker of the House and sixteen public members appointed by the President of the United States. No more than 50 percent of the members from each of the three categories may be members of the same political party. The public members are to be chosen from people qualified from training and experience in neighborhood revitalization or preservation programs: at least five members should be elected officers of recognized neighborhood organizations involved in such programs; at least five should be elected or appointed local government officials involved in such programs; and the remaining members should be from such fields as finance, business, philanthropy, civic service and education and have experience in neighborhood revitalization activities. In addition the public members should represent a broad cross section of racial and ethnic groups and geographical locations.

Subsections (c) and (d) authorize the President to appoint and the Senate to confirm the Chairman of the Commission from among the public members of the Commission and the executive director from among individuals recommended by the Commission.

Section 4.—Subsection (a) directs the Commission to undertake a comprehensive analysis of the factors that contribute to the decline of city neighborhoods and are necessary to their survival and revitalization. The analysis should include, but not be limited to, a consideration of the impact on neighborhood survival and revitalization of: existing Federal, state and local policies, programs and laws; administrative, legal and fiscal obstacles; patterns of investment in urban areas; existing mechanisms of neighborhood governance and the influence exercised by neighborhoods on local government; poverty and racial conflict; and citizen-initiated neighborhood revitalization efforts.

Subsecton (b) directs the Commission to recommend changes in laws, policies and programs which would facilitate neighborhood preservation and revitalization. Such recommendations are to include but not be limited to: new mechanisms to promote reinvestment in existing city neighborhoods; more effective means of community participation in local governance; amendments to existing housing and community development programs and to other tax and subsidy popolicies that affect neighborhoods; policy changes to:

(1) Encourage the survival of economically and socially diverse neighborhoods,

(2) Prevent destructive practices such as blockbusting, redlining, resegregation, speculation in reviving neighborhoods,

(3) Promote urban homeownership,

(4) Encourage better maintenance and management of existing rental housing, and

(5) Change local zoning and taxation to facilitate preservation and revitalization and make them at least as attractive from a tax viewpoint as demolition and development of new buildings.

Subsection (c) requires that within two years after the date on which funds authorized for this Act become available the Commission is to present to the Congress and the President a comprehensive report on its findings, conclusions and recommendations for legislative and administrative action.

Section 5.—Subsections (a) and (b) provide reimbursements for all Commission members for travel, subsistence and other necessary expenses incurred in performing duties for the Commission.

Subsection (b) provides, in addition, that all members of the Commission other than those who are Members of Congress or full-time officers or employees of the United States be compensated at the rate of $100 per day for each day they are engaged in performing Commission duties.

Section 6.—Subsection (a) provides that the Commission may appoint and fix the salary of necessary staff without regard to Civil Service laws but at rates not in excess of the maximum rate for a GS–18 position as defined pursuant to those laws.

Subsection (b) allows the Commission to employ experts or consultants on a temporary basis and to pay them no more than $100 per day, including travel time. In addition, such persons may be allowed travel expenses including per diem in lieu of subsistence.

Subsection (c) authorizes and directs each department, agency and instrumentality of the United States to furnish to the Commission, on a reimbursable basis or otherwise, any data or information necessary for the Commission to fulfill its functions. The Chairman of the Commission is also authorized to request similar information on the same basis from State departments and agencies.

Subsection (d) authorizes the Commission to award to legally chartered neighborhood organizations, public interest organizations, universities and not for profit educational organizations contracts and grants for the purposes of evaluating existing neighborhood revitalization programs and the impact of existing laws on neighborhoods.

Subsection (e) authorizes the Commission or authorized Commission members or subcommittees to hold hearings in neighborhoods and to take sworn testimony from witnesses including citizens and public officials involved in neighborhood revitalization programs.

Section 7.—This section amends section 501 of the Housing and Urban Development Act of 1970 to provide that not more than $2,000,000 from funds authorized for research and demonstrations in fiscal year 1977 may be specifically appropriated for grants by the Secretary of HUD to the Commission to carry out the purposes of this Act. The Commission may not commit or obligate expenditure of funds after January 31, 1979.

Section 8.—This section provides that the Commission expires thirty days after the submission to the Congress and the President of the comprehensive report authorized in Section 4(c).

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 501 of the Housing and Urban Development Act of 1970

TITLE V—RESEARCH AND TECHNOLOGY

RESEARCH AND DEMONSTRATIONS

Sec. 501. The Secretary of Housing and Urban Development is authorized and directed to undertake such programs of research, studies, testing, and demonstration relating to the mission and programs of the Department as he determines to be necessary and appropriate. There are authorized to be appropriated for activities under this title not to exceed $65,000,000 for the fiscal year 1977*; not to exceed $2,000,000 of such amount may be specifically appropriated for grants by the Secretary to the National Commission on Neighborhoods to carry out the purposes of the National Neighborhood Policy Act; the National Commission on Neighborhoods may not commit, or otherwise obligate expenditure of, such funds after January 31, 1979*. All funds so appropriated shall remain available until expended unless specifically limited.

DISSENTING VIEWS OF HONORABLE JOHN H. ROUSSELOT AND HONORABLE RON PAUL

Most objective observers of the Federal government have become convinced that the last thing it needs is another national commission. Candidates of both parties and all philosophies have been calling for streamlining the Federal government. Even those who have consistently supported expansion of Federal programs are talking a good game this year because they realize that the public is demanding that the relentless growth of government be checked.

There are at least five significant efforts already established which provide an opportunity for evaluation of the impact upon neighborhoods of existing programs and policies of governments at all levels:

1. The "Committee on Urban Development and Neighborhood Revitalization," chaired by HUD Secretary Carla Hills, has been established by the President. It is composed of 16 members, including the Secretaries of eight cabinet departments affecting neighborhoods, as well as the administrators of various Federal agencies and the chairmen of the Federal Reserve Board and of the Federal Home Loan Bank Board.

2. The Department of HUD and the Federal Home Loan Bank Board have established an Urban Reinvestment Task Force, funded by $3 million of HUD demonstration funds. The Task Force in turn has established Neighborhood Housing Services programs which replicate a neighborhood preservation program which the Bank Board has discovered was operating successfully in Pittsburgh, Pennsylvania. NHS programs are organized to apply the cooperative efforts of neighborhood residents, local government officials, and financial institutions to the task of revitalizing neighborhoods, and their track record has been most impressive.

3. The Urban Affairs Subcommittee of the Joint Economic Committee has begun a series of hearings on growth problems of various regions of the country to determine what kinds of economic policies might improve prospects for future development. At least one hearing will be devoted specifically to the housing aspects of regional growth.

4. Chairman Reuss has announced that the Committee on Banking, Currency, and Housing will hold two weeks of hearings, beginning September 20, on "policies needed to bring about a renaissance of the cities." According to the Committee's press release, "Witnesses will include leading urban and financial experts involved in urban recovery, 'new town' projects, neighborhood restoration, and from universities and think tanks."

5. The Chairman of the Subcommittee on Housing and Urban Development has announced that the Subcommittee staff will visit approximately 100 cities this fall to study the operation of community development programs, and to prepare for the necessary reauthorization and possible revision nearly next year of the Community Development Block Grant Program.

The last two projects are good examples of the kind of oversight which ought to be done by our Committee, and Chairmen Reuss and Ashley should be commended for them. It is our view that this Committee, with the assistance of its own staff, should conduct its own ongoing oversight of the effects of governmental programs and policies on neighborhoods.

Since Congress established the programs and enacted the laws whose effects on neighborhoods concern us now, it makes sense that Congress itself should perform the studies. The last thing we need is for a Commission to conduct ivory-tower studies and then tell us what we should think about these issues.

But as undesirable as it would be to have "oversight once removed" from the Congressional Committees directly concerned, it would be much worse to provide for "oversight twice removed," as this bill would do, by permitting the Commission to contract with outside groups, some of which may have an interest in the outcome, to perform the evaluations. In addition to the fact that the oversight function would be moved to remote institutions, most of which are not accountable to voters and taxpayers, this provision would invite contractors and grantees to engage in abuses which have become all too familiar when evaluations have been "contracted out" by Congress or by government agencies. These abuses include "recycling" of material which has already been paid for in a previous government contract and the development of "make work" projects for the employment or amusement of consultants who are between jobs or who need a base from which to conduct political operations.

An amendment offered during the Committee markup by Mr. Rousselot would have struck the authority of the Commission to delegate to outside contractors the oversight tasks which the Committee, through this legislation, proposes to delegate to the Commission. Although adoption of this amendment would undoubtedly make the bill more palatable to many Members, it is the present intention of the Committee that this bill be brought up under a suspension of the rules, which will preclude consideration of the amendment.

The best course, therefore, is to defeat this legislation and keep the oversight function over programs and policies affecting neighborhoods within the Committees of Congress, where it belongs.

John H. Rousselot.
Ron Paul.

ADDITIONAL DISSENTING VIEWS OF THE HONORABLE RON PAUL

H.R. 14756 seeks to set up a National Commission on Neighborhoods to study factors contributing to the decline of city neighborhoods and to recommend policies for their revitalization.

On the surface, there should be little that anyone could fault with this bill. It authorizes no new funds, and the Commission will cease to exist thirty days after the submission of its final report. Presumably, this will prevent it from entrenching itself in the bureaucracy and becoming a permanent fixture in Washington. If this were all there is to it, I would probably have no objection, but I think there is more to this commission than meets the eye.

My fear is that the commission will simply conclude that the Federal Government must throw more money at the cities, probably by recommending more urban renewal, public housing, mass transit, etc. If the commission instead concentrated on recommendations for the elimination of existing government programs at all levels which have largely been responsibile for the deterioration of our major cities, however, it might do some good. I suggest an examination of the following government policies:

1. *Rent Control.*—The ill effects of rent control are almost too obvious to need mentioning, yet it is undoubtedly the primary cause of the deterioration of housing these cities which have it. As the Swedish economist Assar Lindbeck once put it: "In many cases rent control appears to be the most efficient technique presently known to destroy a city—except for bombing."

2. *Zoning.*—Not many people realize that the city of Houston has no zoning whatsoever, yet this has caused no serious problems while allowing it to escape many of the restraints on growth and development which heavily zoned cities like New York have. This phenomenon has been thoroughly examined by Bernard Siegan in Land Use Without Zoning. In his conclusion he wrote:

> In attempting to solve certain problems of land use and development, zoning has created many greater problems for our society. When zoning restricts the operation of the real estate market, it also restricts the supply of housing. The federal government is spending gigantic sums in efforts, often futile, to overcome these consequences. When zoning curtails development, it likewise curtails business activity and badly needed revenues of local governments. Gigantic sums are also being spent to overcome these consequences. When zoning reduces competition, it inhibits the creation of a better environment with better living conditions.

3. *Highways and Mass Transit.*—It may seem odd that two of the most highly touted methods for revitalizing cities, more highways

and mass transit, actually produce the opposite results. By making it easier for suburbanites to move about the metropolitan area, it encourages those in middle and upper income groups to abandon the city while retaining its advantages. This, in turn, eventually makes the city an enclave of the poor.

4. *Public Housing and Urban Renewal.*—In "The Federal Bulldozer," Professor Martin Anderson demonstrated clearly that by and large, Federal housing and urban renewal projects benefit those in upper income brackets at the expense of the poor. These programs have, in fact, actually made conditions worse for the poor by tearing down low income housing and replacing it with fewer net units of more expensive housing. And in those cases where the poor have moved into public housing projects, they have promptly destroyed them because they have no vested interest in their upkeep. A recent example is the Baber Village project outside Washington.

5. *Welfare.*—Welfare has been largely responsible for the vast influx of poor Blacks from the South and Puerto Ricans into our Northern cities. Once again, this set off a chain reaction of higher taxes to pay for it, increased "white flight," a reduction of the tax base, *ad infinitum.* It has also had the unfortunate effect of seriously hurting those receiving the welfare by making it economically advantageous for husbands to abandon their families and for welfare mothers to have as many children as possible in order to increase their child support payments. It also destroys the recipient's pride in himself and creates a welfare philosophy resulting in generations of families on welfare.

6. *Minimum Wage Laws.*—Once again, the bad effects of such laws ought to be self-evident. By artificially raising the price of labor, you inevitably cause a loss of jobs among those whose marginal productivity is below the minimum wage. It also drives business out of precisely those areas where there is the most need for jobs. It also harms poor black teenagers disproportionately and contributes to racial antagonism.

7. *Crime.*—It is a major tenet of modern liberalism that poverty breeds crime. In fact, it is more likely to be the other way around. It is a well known fact that most crime is committed by repeaters. Thus the problem is not in catching criminals, but keeping them in jail once they are caught. It is also a fact that considerable police time is spent fighting so-called victimless crimes, such as gambling, which really hurts no one. A combination of reduced concern for such crimes and a more stringent effort to keep habitual criminals behind bars would certainly produce a dramatic decrease in the crime rate. This, in turn, would be a major step toward revitalizing the inner city, where most serious crime takes place.

8. *Education.*—It is generally agreed that pupil achievement in big city schools is declining rapidly. This is thought to be the result of the declining tax base in the cities. Actually, no one has ever proved a correlation between the amount of money spent for education and pupil achievement. What has happened is simply a decline in the quality of the student body itself as a result of other government policies which have driven the middle and upper classes from the cities. Further contributing to the problem are government policies causing a breakdown of discipline in the schools and busing, which further contributes to flight from the cities by those who don't like it..

9. *Taxation and Fiscal Mismanagement.*—It should be clear by now that New York City's problems were largely of its own making. Company after company is leaving the city to escape confiscatory taxation. One need only look at the mass exodus of business to the South and the Southwest. Texas, for example, has no corporate income tax, individual income tax, and has a right-to-work law. This is why the recession never affected cities like Houston.

One could go on listing the areas in which government policy exacerbates problems almost infinitely. In short, if the government simply refrained from adopting new programs and halted existing ones, it would do a lot more to revitalize the cities than throwing more Federal money at them. I do not expect such a recommendation from the National Commission on Neighborhoods because it is contrary to the vested interests of those benefiting from existing public housing, urban renewal, and mass transit programs. I would just like to go on record as opposing the creation of any new government agencies or programs for the cities, because they are the cause of the problems and could hardly be part of the solution.

RON PAUL.

Union Calendar No. 803

94TH CONGRESS
2D SESSION

H. R. 14756

[Report No. 94-1600]

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1976

Mr. ASHLEY introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

SEPTEMBER 17, 1976

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To establish a National Commission on Neighborhoods.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

~~SHORT TITLE~~

~~SECTION 1. This Act may be cited as the "National Neighborhood Policy Act".~~

~~FINDINGS AND PURPOSE~~

~~SEC. 2. (a) The Congress finds and declares that existing city neighborhoods are a national resource to be conserved and revitalized wherever possible, and that public policy should promote that objective.~~

~~(b) The Congress further finds that the tendency of~~

~~public policy incentives to ignore the need to preserve the built environment can no longer be defended, either economically or socially, and must be replaced with explicit policy incentives encouraging conservation of existing neighborhoods. That objective will require a comprehensive review of existing laws, policies, and programs which affect neighborhoods, to assess their impact on neighborhoods, and to recommend modifications where necessary.~~

~~ESTABLISHMENT OF COMMISSION~~

~~SEC. 3. (a) There is hereby established a commission to be known as the National Commsision on Neighborhoods (hereinafter referred to as the "Commission").~~

~~(b) The Commission shall be composed of twenty members, to be appointed as follows:~~

~~(1) two Members of the Senate appointed by the President of the Senate;~~

~~(2) two Members of the House of Representatives appointed by the Speaker of the House of Representatives; and~~

~~(3) sixteen public members appointed by the President of the United States from among persons specially qualified by experience and training to perform the duties of the Commission, at least five of whom shall be elected officers of recognized neighborhood organizations engaged in development and revitalization programs, and~~

~~at least five of whom shall be elected or appointed officials of local governments involved in preservation programs. The remaining members shall be drawn from outstanding individuals with demonstrated experience in neighborhood revitalization activities, from such fields as finance, business, philanthropic, civic, and educational organizations.~~

~~The individuals appointed by the President of the United States shall be selected so as to provide representation to a broad cross section of racial, ethnic, and geographic groups. The two members appointed pursuant to clause (1) may not be members of the same political party, nor may the two members appointed pursuant to clause (2) be members of the same political party. Not more than eight of the members appointed pursuant to clause (3) may be members of the same political party.~~

~~(c) The Chairman shall be appointed by the President, by and with the advice and consent of the Senate, from among the public members.~~

~~(d) The executive director shall be appointed by the President, by and with the advice and consent of the Senate, from among individuals recommended by the Commission.~~

~~DUTIES~~

~~SEC 4. (a) The Commission shall undertake a comprehensive study and investigation of the factors contributing~~

~~to the decline of city neighborhoods and of the factors necessary to neighborhood survival and revitalization. Such study and investigation shall include, but not be limited to—~~

~~(1) an analysis of the impact of existing Federal, State, and local policies, programs, and laws on neighborhood survival and revitalization;~~

~~(2) an identification of the administrative, legal, and fiscal obstacles to the well-being of neighborhoods;~~

~~(3) an analysis of the patterns and trends of public and private investment in urban areas and the impact of such patterns and trends on the decline or revitalization of neighborhoods;~~

~~(4) an assessment of the existing mechanism of neighborhood governance and of the influence exercised by neighborhoods on local government;~~

~~(5) an analysis of the impact of poverty and racial conflict on neighborhoods;~~

~~(6) an assessment of local and regional development plans and their impact on neighborhoods; and~~

~~(7) an evaluation of existing citizen-initiated neighborhood revitalization efforts and a determination of how public policy can best support such efforts.~~

~~(b) The Commission shall make recommendations for modifications in Federal, State, and local laws, policies, and programs necessary to facilitate neighborhood preservation~~

~~and revitalization. Such recommendations shall include, but not be limited to—~~

~~(1) new mechanisms to promote reinvestment in existing city neighborhoods;~~

~~(2) more effective means of community participation in local governance;~~

~~(3) policies to encourage the survival of economically and socially diverse neighborhoods;~~

~~(4) policies to prevent such destructive practices as blockbusting, redlining, resegregation, speculation in reviving neighborhoods, and to promote homeownership in urban communities;~~

~~(5) policies to encourage better maintenance and management of existing rental housing;~~

~~(6) policies to make maintenance and rehabilitation of existing structures at least as attractive from a tax viewpoint as demolition and development of new structures;~~

~~(7) modification in local zoning and tax policies to facilitate preservation and revitalization of existing neighborhoods; and~~

~~(8) reorientation of existing housing and community development programs and other tax and subsidy policies that affect neighborhoods, to better support neighborhood preservation efforts.~~

~~(c) Within two years after the date on which funds first become available to carry out this Act, the Commission shall submit to the Congress and the President a comprehensive report on its study and investigation under this subsection which shall include its findings, conclusions, and recommendations and such proposals for legislation and administrative action as may be necessary to carry out its recommendations.~~

~~COMPENSATION OF MEMBERS~~

~~SEC. 5. (a) Members of the Commission who are Members of Congress or full-time officers or employees of the United States shall serve without additional compensation, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of the duties vested in the Commission.~~

~~(b) Members of the Commission, other than those referred to in subsection (a), shall receive compensation at the rate of $100 per day for each day they are engaged in the actual performance of the duties vested in the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.~~

~~ADMINISTRATIVE PROVISIONS~~

~~SEC. 6. (a) The Commission shall have the power to appoint and fix the compensation of such personnel as it~~

~~deems advisable, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates, but at rates not in excess of a maximum rate for GS-18 of the General Schedule under section 5332 of such title.~~

~~(b) The Commission may procure, in accordance with the provisions of section 3109 of title 5, United States Code, the temporary or intermittent services of experts or consultants. Persons so employed shall receive compensation at a rate to be fixed by the Commission but not in excess of $100 per day, including traveltime. While away from his or her home or regular place of business in the performance of services for the Commission, any such person may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703(b) of title 5, United States Code, for persons in the Government service employed intermittently.~~

~~(c) Each department, agency, and instrumentality of the United States is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice Chairman, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this~~

~~Act. The Chairman is further authorized to call upon the departments, agencies, and other offices of the several States to furnish, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this title.~~

~~(d) The Commission may award contracts and grants for the purposes of evaluating existing neighborhood revitalization programs and the impact of existing laws on neighborhoods. Awards under this section may be made to—~~

~~(1) representatives of legally chartered neighborhood organizations;~~

~~(2) public interest organizations which have a demonstrated capability in the area of concern;~~

~~(3) universities and other not-for-profit educational organizations.~~

~~(e) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may for the purpose of carrying out the provisions of this Act, hold hearings, take testimony, and administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or member thereof. Hearings by the Commission will be held in neighborhoods with testimony~~

~~received from citizen leaders and public officials who are engaged in neighborhood revitalization programs.~~

~~AUTHORIZATION OF APPROPRIATIONS~~

~~SEC. 7. There are authorized to be appropriated not to exceed $2,000,000 to carry out this title.~~

~~EXPIRATION OF THE COMMISSION~~

~~SEC. 8. The Commission shall cease to exist thirty days after the submission of its report under section 4.~~

SHORT TITLE

SECTION 1. This Act may be cited as the "National Neighborhood Policy Act".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that existing city neighborhoods are a national resource to be conserved and revitalized wherever possible, and that public policy should promote that objective.

(b) The Congress further finds that the tendency of public policy incentives to ignore the need to preserve the built environment can no longer be defended, either economically or socially, and must be replaced with explicit policy incentives encouraging conservation of existing neighborhoods. That objective will require a comprehensive review of evisting laws, policies, and programs which affect

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(2) two Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(3) sixteen public members appointed by the President of the United States from among persons specially qualified by experience and training to perform the duties of the Commission, at least five of whom shall be elected officers of recognized neighborhood organizations engaged in development and revitalization programs, and at least five of whom shall be elected or appointed officials of local governments involved in preservation programs. The remaining members shall be drawn from outstanding individuals with demonstrated experience in neighborhood revitalization activities, from such fields as fi-

nance, business, philanthropic, civic, and educational organizations.

The individuals appointed by the President of the United States shall be selected so as to provide representation to a broad cross section of racial, ethnic, and geographic groups. The two members appointed pursuant to clause (1) may not be members of the same political party, nor may the two members appointed pursuant to clause (2) be members of the same political party. Not more than eight of the members appointed pursuant to clause (3) may be members of the same political party.

(c) The Chairman shall be appointed by the President, by and with the advice and consent of the Senate, from among the public members.

(d) The executive director shall be appointed by the President, by and with the advice and consent of the Senate, from among individuals recommended by the Commission.

(e) All members of the Commission shall be appointed by no later than March 1, 1977.

DUTIES

SEC. 4. (a) The Commission shall undertake a comprehensive study and investigation of the factors contributing to the decline of city neighborhoods and of the factors necessary *to neighborhood survival and revitalization. Such study and investigation shall include, but not be limited to—*

(1) an analysis of the impact of existing Federal, State, and local policies, programs, and laws on neighborhood survival and revitalization;

(2) an identification of the administrative, legal, and fiscal obstacles to the well-being of neighborhoods;

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(4) an assessment of the existing mechanism of neighborhood governance and of the influence exercised by neighborhoods on local government;

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(7) an evaluation of existing citizen-initiated neighborhood revitalization efforts and a determination of how public policy can best support such efforts.

(b) The Commission shall make recommendations for modifications in Federal, State, and local laws, policies, and programs necessary to facilitate neighborhood preservation

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(1) new mechanisms to promote reinvestment in existing city neighborhoods;

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(3) policies to encourage the survival of economically and socially diverse neighborhoods;

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(7) modification in local zoning and tax policies to facilitate preservation and revitalization of existing neighborhoods; and

(8) reorientation of existing housing and community development programs and other tax and subsidy

policies that affect neighborhoods, to better support neighborhood preservation efforts.

(c) Within two years after the date on which funds first become available to carry out this Act, the Commission shall submit to the Congress and the President a comprehensive report on its study and investigation under this subsection which shall include its findings, conclusions, and recommendations and such proposals for legislation and administrative action as may be necessary to carry out its recommendations.

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(c) Each department, agency, and instrumentality of the United States is authorized and directed to furnish to the

Commission, upon request made by the Chairman or Vice Chairman, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this Act. The Chairman is further authorized to call upon the departments, agencies, and other offices of the several States to furnish, on a reimbursable basis or otherwise, such statistical data, reports, and other information as the Commission deems necessary to carry out its functions under this title.

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(e) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this Act; hold hearings, take testimony, and administer oaths or affirmations to witnesses appearing before the Commission or

any subcommittee or member thereof. Hearings by the Commission will be held in neighborhoods with testimony received from citizen leaders and public officials who are engaged in neighborhood revitalization programs.

FUNDING

Sec. 7. The second sentence of section 501 of the Housing and Urban Development Act of 1970 is amended by inserting the following immediately before the period: "; not to exceed $2,000,000 of such amount may be specifically appropriated for grants by the Secretary to the National Commission on Neighborhoods to carry out the purposes of the National Neighborhood Policy Act; the National Commission on Neighborhoods may not commit, or otherwise obligate expenditure of, such funds after January 31, 1979".

EXPIRATION OF THE COMMISSION

Sec. 8. The Commission shall cease to exist thirty days after the submission of its report under section 4.

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